

INTERNATIONAL

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WEATHER — PARIS: Thursday, cloudy, Temp. 22-23
100°F. LONDON: Thursday, cloudy with rain
Temp. 18-20. FRIDAY: Friday, variable. CHANNEL: 15-16°C.
ROMA: Thursday, sunny, Temp. 27-32 (84-90). NEW
YORK: Thursday, cloudy, Temp. 24-28 (75-84).
ADDITIONAL WEATHER — COMICS PAGE

29,649

The U.S. Tax Revolt



Peter Saul, Wendell Johansson and Irene Merrill celebrate the early lead of Proposition 13.

Californians Vote Property-Tax Cut 2 to 1

LOS ANGELES, June 7 (AP) — Californians fed up with soaring property taxes gave landslide approval yesterday to a \$7-billion property-tax cut, a victory compared by tax crusader Howard Jarvis to a benefit second Boston Tea Party.

Mr. Jarvis, the 75-year-old prime mover behind the state's property tax revolt, told cheering supporters that the victory of Proposition 13

Locks will touch off a similar revolt across the nation.

Proposition 13, which will cut property taxes statewide by an average of 57 percent, won by a margin of almost 2 to 1. The measure prompted what could be a record primary election turnout — more than 70 percent in Los Angeles and other urban areas.

It limits property-tax rates, now averaging 2.5 percent of value, to 1 percent, reducing the average homeowner's tax bill from the current \$1,400 a year to \$600. It will roll back assessments to 1975 levels and limit future increases to 2 percent, unless property is sold.

Financial Challenge

"We are facing a legal and financial challenge such as the state has never seen," said Gov. Edmund Brown Jr. "It is my job to carry it out."

"This is not a partisan issue," he said. "The vote comes from liberals, conservatives, Democrats and Republicans."

For Gov. Brown, who harbors national political ambitions, implementing Proposition 13 will be perilous. He has promised he will not increase state taxes to offset the loss of property tax revenue to schools and local governments.

Hiring Freeze

He announced today that he is freezing all state hiring and state government job replacements as part of a plan to implement the tax initiative with as little disruption as possible.

He said the plan also includes limits on state spending, no new taxes, and state budget cuts "in all areas I can make them in without injuring anyone."

With 91 percent of the vote counted, Proposition 13 was ahead 3,872,228 to 2,125,740.

An alternative measure, Proposition 8, which was supported by the Legislature and would have cut property taxes an average of 30 percent, was narrowly defeated. But even had it passed, it would have been superseded by approval of Proposition 13.

U.S. Airlifts 1,500 Moroccans into Lubumbashi

Belgium to Coordinate Zaire Pullout With Africans

From Wire Dispatches
KINSHASA, Zaire, June 7 — The Belgian government today announced it would withdraw its contingent of troops from Zaire as soon as possible.

Meanwhile, President Mobutu Sese-Seko patched up differences with neighboring Zambia and sent a French Foreign Legion corps who restored order in embattled Shaba province two weeks ago.

New York City's Death Rate Higher Than in Rest of U.S.

NEW YORK, June 7 (UPI) — Statistics show that the rate of death from all causes in New York City is 16 percent higher than the rate for the nation.

The National Health Education Committee has compiled statistics that show the death rate from all causes in New York City is 17 percent higher than for the rest of New York State and New Jersey, and 24 percent higher than that of Connecticut.

The committee said Sunday that according to 1976 figures, the New York City "crude" death rate of 10.3 per thousand is 16 percent higher than the overall death rate of 8.9 for the country.

The average age of death from all causes in New York City in 1976 was 66.5 years compared to 67.3 throughout the nation.

Heart disease was the leading cause and was 30.3 percent higher than the nation's 1977 rate. The committee blamed lack of screening and treatment centers for high-blood pressure in the city's poor neighborhoods.

Building more nuclear carriers is the way to compete effectively with the Soviet Union, Mr. Brown said in a speech prepared for the Chicago Council on Foreign Relations.

The Carter administration faces congressional opposition on the carrier issue. The House has ignored administration objections and approved funds for a nuclear-powered aircraft carrier in the fiscal 1979 budget. The Senate Armed Services Committee has taken a similar course.

Mr. Brown renewed his appeal to Congress to approve a smaller nuclear aircraft carrier, which he said would save \$1 billion and buy additional modern frigates.

eat in India Kills 20

NEW DELHI, June 7 (UPI) — A two-week heat wave has killed 20 sons and hospitalized several hundred in India's northern and central states and today.

Kaunda paid a one-day surprise visit to Lubumbashi yesterday for what AZAP said would be "difficult" talks with Mr. Mobutu.

The two leaders earlier had bitter exchanges over the invasion of Shaba through northern Zambia last month by Angola-based rebels and their retreat over the same route in stolen vehicles piled high with loot.

Mr. Kaunda told AZAP after his talks with Mr. Mobutu that his army had stopped and disarmed

Talks Called fruitful

He reiterated that the rebels had attacked via northern Zambia without his government's knowledge. Mr. Kaunda said his talks with Mr. Mobutu "have been fruitful and led to satisfactory results."

"There is nothing left that could harm the good relations between Zaire and Zambia," he said before returning to Lusaka.

Mr. Mobutu interrupted his talks with Mr. Kaunda to attend a fare-well ceremony for the legionnaires, being flown back to their base in Corsica aboard the same U.S. planes that brought the Moroccans.

He awarded medals to the French paratroopers who jumped into the mining town of Kolwezi May 19 to rescue 2,500 whites from nine days of rebel terror.

The 600 Belgian paratroopers who joined the rescue operation in Kolwezi are still spread out in several towns to reassure the white population, but Premier Leo Tindemans announced in Brussels that they would begin leaving probably within the next two weeks. The Belgian force originally totaled 1,700 men. The Belgian withdrawals will be phased to allow the African force to relieve the troops.

The diplomatic activity coincided with the completion of the first lift of the all-African force that I take over the peacekeeping mission in Shaba.

More than 1,500 Moroccan ops arrived in the provincial

Crown Opposes Additional U.S. Nuclear Carrier

WASHINGTON, June 7 (AP) — Defense Secretary Harold Brown said yesterday that spending \$2.5 billion on an additional U.S. nuclear-powered aircraft carrier would reduce less military power than the money to buy larger numbers of less-glamorous warships.

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The current fighting reportedly involves no attempt on the part of the Somalis to seize or control any of the vast Ogaden region which the government of President Mohamed Siad Barre has long claimed as an integral part of the Somali nation.

The Somalis are reportedly using hit-and-run tactics. In contrast with the conflict earlier this year, they now have no highly mechanized units fighting conventional battles against Ethiopian units. They are back in the area fighting as guerrilla bands, Western diplomats say.

After the withdrawal, some of the soldiers shed their uniforms, put on desert robes and adopted tactics, a diplomat said. Although the operation is once again being depicted as a local insurgency of indigenous Ogaden Somalis, he added, "we believe they are getting the full support of the Mogadishu regime while purporting to be the Western Somali Liberation Front."

Ethiopian Silence

"Still," a European diplomat said, "there are Ethiopian soldiers being killed, in small numbers but regularly."

Some diplomats find it notable that the government in Addis Ababa has not raised the issue in any public forum. Through statements released by ambassadors here and

against Ethiopian units. They are

laying land mines and making harassment strikes at scattered outposts of Ethiopian authority.

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Austria	12.5	Kenya	\$1.7
Belgium	20.0 K.	Liberia	512.25
Denmark	3.50 D.K.	Luxembourg	23.5 Dr.
Egypt	40 P.	Morocco	1.50 Dr.
Iceland	1.50 ISK	Niger	1.50 N.
Finland	2.50 F.M.	Nigeria	3 NA.
France	3.00 F.	Norway	20 Ek.
Germany	1.50 D.M.	Portugal	20 Esc.
Great Britain	20 P.	Spain	40 Pt.
Ireland	18 Dls.	Sweden	2.75 Sk.
Italy	60 Lire	Tunisia	1.75 T.
Japan	400 Yen	U.S. (Continental)	1.75 U.
Switzerland	150 Fr.	U.S. (Hawaii)	50.75
Yugoslavia	150 D.	U.S. (Alaska)	50.75

'Confrontation or Cooperation'

Detente or Not, Russians Must Decide, Carter Says

By Robert C. Siner

WASHINGTON, June 7 (IHT)

"The Soviet Union can choose either confrontation or cooperation," President Carter declared today, "and the United States is adequately prepared to meet either choice."

Delivering what had been described in advance as a major foreign policy address explaining the administration's position vis a vis the Soviet Union, Mr. Carter warned that while "detente between our two countries is central to world peace," it can only work if it is "truly reciprocal."

Speaking during graduation ceremonies at the U.S. Naval Academy, the president said that the United States sees detente as a process that "increasingly involves similar restraint for both sides, similar readiness to resolve disputes by negotiations and not violence, similar willingness to compete peacefully and not militarily."

But in contrast, the president said, "to the Soviet Union, detente seems to mean a continuing aggressive struggle for political advantage and increased influence in a variety of ways," adding: "The Soviet Union sees military power and military influence as the best means of expanding its influence abroad."

He cited the "persistent and increasing military involvement of the Soviet Union and Cuba in Africa" as an example of this attitude and expressed deep concern over "this threat to regional peace and the autonomy of countries within which these troops seem permanently to be stationed."

"This is why," he said. "I and the American people will support Africa in its efforts to contain such intrusion, as we have recently done in Zaire."

However, during his 31-minute address, Mr. Carter mixed some conciliatory language with his hard-line talk.

The president said that he was convinced that the Soviet people want peace and that the Soviet government was trying in "good faith" to complete a new strategic arms limitation treaty.

But he warned that the recent increase in tensions between the Soviet Union and the United States could damage the relationship between the two superpowers.

"I do not wish this to happen," he said. "I do not believe Mr. Brezhnev desires it either — and this is why it is time for us to speak frankly and to face the problem squarely."

The speech was delivered against a background of rising East-West tensions, fueled by the continuing buildup of Warsaw Pact forces in Europe, increasing Soviet and Cuban involvement in Africa and Soviet denial of human rights to its own citizens.

There has also been some confusion about the U.S. position on SALT, with published reports vehemently denied by Mr. Carter that the administration had, in effect, decided to delay any possible agreement on arms limitation for political and foreign policy reasons.

Diplomatic observers have said that the United States has been giving conflicting signals about its intentions in international affairs and, in his speech, Mr. Carter appeared to be trying to clarify the U.S. position and to dispel any impressions of lack of resolve.

"Let there be no doubt about our present and future strength," he declared, adding that "the healthy self-criticism and free debate which are essential in a democracy should never be confused with weakness, despair or lack of purpose."

Mr. Carter outlined the "principal elements" of U.S. policy toward the Soviet Union as:

- Maintenance of "equivalent nuclear strength."

- Strengthening of NATO, more mobile forces and an undiminished presence in the Pacific maintained by a "prudent and sustained level of military spending."

- Support of worldwide and regional organizations "dedicated to enhancing international harmony."

- Seeking of "peace, better communication and understanding" and enhanced trade, cultural and scientific exchanges with the Soviet Union and other nations.



President Carter addressing the Naval Academy yesterday.

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India's Surplus an Example**Revised World Food Forecast: Upbeat**

By Dan Morgan

WASHINGTON, June 7 (WP) — A series of bumper harvests has given India, which often turned to the United States for emergency grain shipments to avert famines in the 1960s, a 20-million-ton stockpile of food, the agricultural direc-

tor of the World Bank reported yesterday.

The stockpile was cited by Monroe Yudelman as part of a moderately optimistic report on the global food situation. Mr. Yudelman also concluded that there is enough "underutilized capacity" in agriculture to feed six billion per-

son by the year 2000. The current world population is slightly more than four billion.

"Certainly, if we bend our minds to this [food production task], it can be done," he said.

But Mr. Yudelman warned that "it would be wrong to say there's no problem." He said in a report that "the core of the world food problem" involves countries with food deficits, large numbers of undernourished persons and inadequate foreign exchange reserves to pay for imports on commercial terms.

Larger Deficits Expected

In 1975, these countries needed to purchase only about 12 million tons of grain in commercial world markets. Much of the remaining food deficit was covered by foreign loans and food aid. But, by 1990, as the food deficits of these countries increase, they will need to buy 70 million to 80 million tons, a volume beyond their ability to pay, Mr. Yudelman said.

He said that the World Bank's strategy has changed dramatically in response to this situation. Since 1974, he said, the institution has increased credits to small farmers. Agricultural and rural development loans for the fiscal year ending June 30 will exceed \$3.3 billion, almost four times the amount of 1974.

Mr. Yudelman said that the World Bank had rejected assumptions carried over from "colonial thinking." He said: "We are finding out in reality that food production requires more and more capital and that low-cost means of agricultural production are very difficult to find." Long-range irrigation requirements alone exceed \$100 billion, he said.

Although grain prices have declined substantially from their peak in 1974, they are still double those of the late 1960s, and there are wide regional variations in food production.

For their part, Congolese officials appear to have driven the State Department to exasperation with their reluctance to seek the help of other Africans, despite repeated U.S. exhortations and backstage solicitations.

"Believeability Americanizing Africanization" quite likely, the assistant secretary of state for African affairs, Mennen Williams, cabled Washington during an Aug. 1964, visit prompted by the fall of Stanleyville (now Kisangani).

Mobutu in Command

The Congolese commander, Gen. Joseph Mobutu, as he was known then, backed up by Mr. Tshombe and others, had just asked Mr. Williams at a lengthy meeting for three U.S. parachute battalions as soon as possible. Mr. Tshombe died most of the talking.

"I tried to talk Tshombe out of even making request by pointing out broad implications for U.S. already deeply committed in Far East," Mr. Williams cabled Aug. 15. "However, he insisted that I transmit his request for U.S. paratroops sooner and insisted this only move which could be realistically expected to save Congo from Communist rebels."

The dithering apparently lasted several days, at one point prompting an indignant cable from Mr. Rusch who told his diplomats that he was "shocked at naivete of Tshombe" and demanding to know, among other things, why Mr. Tshombe's once-secessionist-minded Katanga *gendarmerie*, many of them then in Angola, could not be brought into the fighting.

"What has happened to considerate movement Katanga *gendarmerie*, perhaps from Angola to Leopoldville and threatened areas?" the secretary of state asked Mr. Williams.

The palavering seems to have ended only when Mr. Williams, confronted with a new demand for U.S. fighter planes and helicopters, told Mr. Tshombe and the others on Aug. 16 that about seven B-26s would be provided "as quickly as possible for reconnaissance and strafing." At that, he said, "Congolese clapped hands in applause."

Back in Washington the next day, according to other LBJ library papers, the White House was assured that things were looking up in the Congo.

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The press is pretty quiet, and [for] once we have tried to gain from publicity, a National Security Council staffer advised the press in an Aug. 17, 1964, memo re-laying the latest news from the State Department. We are knocking down any "Vietnam" talk of U.S. combat involvement in the Congo."

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Back in Washington the next day, according to other LBJ library papers, the White House was assured that things were looking up in the Congo.

Reportedly \$10 Billion**House Votes Spy Funds, Sum a Secret**

By George Lardner Jr.
WASHINGTON, June 7 (WP) — Receiving protests that most members had no idea about what they were doing, the House overwhelmingly approved an authorization yesterday for the nation's intelligence community. The amount of the authorization was kept secret. The vote was 323 to 43. Five members voted "present," apparently

only following the example of John Seiberling, D-Ohio, who complained that the bill authorized a "blank amount so I intend to vote blank."

The House Intelligence Committee insisted on secrecy for the multi-billion-dollar measure on grounds that disclosure of even the total would generate pressure for more details.

The bill, however, is believed to authorize more than \$10 billion in direct and indirect intelligence expenditures for the CIA, the National Security Agency and the rest of the intelligence community, including segments of the FBI and the Drug Enforcement Administration.

Edward Boland, D-Mass., the Intelligence Committee chairman, described the measure as an important, although imperfect, first step. He pointed out that the House had never before adopted a separate authorization bill for intelligence and had always hidden the money in other appropriations.

The 13-member committee had prepared an 83-page "Classified Annex" for House colleagues who wanted to know some of the details of the bill, including the overall total. But James Johnson, R-Colo., one of the few House members who bothered to read the confidential annex, said that it was virtually useless. "The Classified Annex tells us absolutely nothing about what the intelligence community is doing," he protested.

Against Elitism

Moreover, the partial reversal of the 1961 decision was announced by Justice William Brennan Stewart, both of whom were in the majority in 1961.

Justice Brennan attributed the reversal largely to "a fresh analysis" of the debate in Congress that led to adoption of the Civil Rights Act of 1871.

Another factor was an inconsistency. In a score of cases, the court has held school boards liable in rights cases brought under the Reconstruction-era law, even though Justice Brennan said, the reasoning in the 1961 decision does not allow a distinction to be drawn between school boards and municipalities.

Rep. Boland indicated that his committee would try to make more information available to the House next year, but observed, "There are some people who will never be satisfied" with any amount of secrecy.

Keneth Robinson of Virginia, a ranking Republican on the committee, said that the panel should try to avoid "excessive use of acronyms" in its reports. But he also pointed out that only eight House members were curious enough to glance at the Classified Annex.

"None of the members of this court can foresee the practical consequences of today's removal of that protection. Only the Congress . . . is equipped to consider the results of such a drastic change in the law. It seems all but inevitable that it will find it necessary to do so after today's decision."

In New York City, the American Civil Liberties Union termed the decision "one of the most important of the past five years." Commenting on the dissent, ACLU legal director Bruce Ennis said that "municipalities which obey the law and do not violate constitutional rights will not have to pay money damages."

Carter Can Do Better — Maybe

NEW YORK, June 7 (UPI) — President Carter's ability to increase confidence in the White House has reached a new low, the Harris Survey reports.

In a poll of 1,498 voters, 61 percent reportedly gave Mr. Carter a negative confidence rating, up from 59 percent in April.

Still, 61 percent of persons polled said that Mr. Carter can and will become a better president in the future, the survey said Monday.

N.Y. Mayor Urges Federal Aid for City

By Robert A. Rosenblatt

WASHINGTON, June 7 — New

York City Mayor Edward Koch said yesterday that his city had bailed after the nation's poor for two generations and now needs U.S. help to avert bankruptcy.

Mr. Koch asked the Senate Banking Committee to support a Carter administration proposal for U.S. guarantees for \$2 billion in New York City bonds during the next 15 years.

The mayor recalled that he had voted for billions in aid to other parts of the country during the nine years he served in the U.S. House of Representatives. "Is it possible

that the rest of the country won't do it for us?" he asked rhetorically. "I can't believe it. I won't believe it."

The committee chairman, William Proxmire, D-Wis., told Mr. Koch that people "are fed up with excessive spending in the cities."

Sen. Proxmire opposes guarantees for city bonds and has said that New York's banks and pension funds will buy the bonds, giving the city the money it needs without U.S. intervention. The committee is closely divided on the issue. A House vote on the guarantee legislation is scheduled for tomorrow.

Although New York has made drastic budget cuts since 1974, trimming its municipal work force by 6,000 persons and reducing the budget deficit to \$480 million from \$3 billion, the city is still threatened by bankruptcy. Long-

ago, the city of New York does not have a Berlin Wall around it to keep people from leaving," he said.

The mayor cited labor agree-

ment reached Monday night with city unions as evidence that his administration is striving to control municipal spending. Municipal workers would get raises of 5 percent or 5.5 percent during the next two years. By contrast, Mr. Koch said, U.S. workers complain because President Carter wants to limit their pay increase to 5.5 percent for a single year.

The report released yesterday was the outcome of an inquiry con-

ducted by the subcommittee. An

term debts of \$2.3 billion come due next month.

Unless New York can sell new bonds for money to pay the old debts, it will be insolvent. If the bonds are guaranteed by Washington, the city will be able to sell them to banks, insurance companies, pension funds and other investors.

If the U.S. government does not help, Mr. Koch said, he will make even deeper cuts in city services to stave off bankruptcy. But he added that this would drive middle-class taxpayers "across the river."

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INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

Page 4 Thursday, June 8, 1978

China and Indochina

That the withdrawal of the United States from military involvement in Indochina would not end the troubles of that region was patent enough from the beginning. But the extent of those troubles, and their nature, were not so obvious. It was not altogether possible to predict the kind of manic-Maoism that has afflicted Cambodia, nor how this would affect Vietnam—and China.

* * *

China was a strong support for North Vietnam during its struggle with the South, both in actual supplies and in its mere presence. The latter was a prime factor in limiting U.S. action against Hanoi for so much of the war, because of haunting memories of the Chinese move across the Yalu in the Korean war.

Yet China and Vietnam have a long history of conflict, as well as a common border than can cause friction. So it was not surprising that Hanoi drew closer to Moscow than to Peking after the major fighting ended, or that Peking seemed to prefer the wild radicals at Phnom Penh over the more orthodox revolutionaries of Hanoi. The former did draw more on Mao than on Lenin, for one thing, and they might prove a balance in Indochina against the suddenly increased size and prestige of Vietnam.

This has now resulted in what the Chinese claim is the explosion of people of their blood from Vietnam, by the thousands.

Doubtless the current frictions have touched off this exodus, but there is another element in the anti-Chinese mood in Vietnam. Throughout all of Southeast Asia, Indonesia and far into the Pacific Islands, the Chinese represent not only an alien stock, but an economic class. Whether or not they arrived—and some remain—as coolies, laborers, they have usually risen to moneylenders, shopkeepers, white collar workers generally.

It was this rather than the Communism of mainland China that inspired the killings and deportations of Chinese in Indonesia. It is a major part of its rivalry between Chinese and Malays in Malaysia. It resembles, too, the actions taken against Bengalis and Sikhs in Burma and in Uganda, since those Indians performed much the same functions as the Chinese, and were equally resented.

* * *

In the relationship between China and Indochina there is the kind of complex mixture of racism, economic rivalry, religious enmity and ideological competition that is so common in the developing world—and can be found in the ghettos of the United States and among the foreign workers in Europe. For the Chinese government, or those of Indochina, to play upon these differences, to exploit them for some short-term advantage, is to encourage fragmentation at a time when both China and Vietnam desperately need cooperation both within and without their borders.

A Double Blow by the Court

The privacy rights of the law-abiding were shabbily treated by the Supreme Court the other day when it held that police may search for evidence of crime on the premises of persons who are not themselves suspected of any crime.

The Fourth Amendment protects "the right of the people to be secure in their persons, houses, papers and effects against unreasonable searches," but the court said this sort of search was reasonable. Judicial warrants may now be obtained for unannounced, wide-ranging searches through files, drawers—even wastebaskets—without proof that such methods are needed to guard against destruction of the evidence. This decision strikes a double blow, at individual privacy and press freedom.

* * *

The premises in the case before the court were those of the Stanford University student newspaper, which claimed that its rights had been violated by a police search of its offices after a 1971 campus riot. Police wanted to search the newspaper's offices because a published photograph of the riot led them to believe there might be more photographic evidence. Their request for a warrant contained no charge that the Daily's staff had anything to do with the violence and no hint that the authorities feared destruction of the evidence. Extensive as the search was, it turned up nothing useful to the police.

The newspaper argued that the search violated the Fourth Amendment rights of citizens generally. The police, it was argued, could have sought their evidence by way of subpoena, a procedure that would have permitted orderly opposition. The newspaper also argued that First Amendment rights were infringed because such a sweeping search inevitably compromised information the police had no right to see. The court said no to both arguments.

* * *

Justice Byron White's majority opinion treated the newspaper arguments as though they had come from outer space. He said the

Stanford Daily was seeking "a major revision of the Fourth Amendment," by asking the court to "hold for the first time" that the validity of a search depends on the culpability of the search's target. But as Justice John Paul Stevens showed in a lucid dissent, the court was not being asked to do anything so contrary to precedent. There was no precedent; the precise issue had never been before the Supreme Court. Until 1967, police could seek warrants only to look for such things as contraband, the fruits of a crime, or the instrumentality of a crime, like a gun. In 1967 the court ruled—for the first time—that searches for "mere evidence" of crime were valid under the Fourth Amendment.

That decision was what shattered precedent. It then became more probable that searches would disrupt the lives of innocent parties who might readily come into possession of evidence of crime; it was open to the court in the Stanford Daily case to require special procedures safeguarding their interests. Instead, the court would now allow officials to treat the law-abiding like criminals.

The court's treatment of the First Amendment issue was just as cavalier. "We decline to reinterpret the amendment to impose a general constitutional barrier against warrants to search newspaper premises," said Justice White. But First Amendment considerations made even stronger the case for added safeguards against such a search. In this decade, it is hardly fanciful to worry that public officials bent on obstructing justice might invoke such authority malevolently. Even worse, wiretapping is merely one kind of a search; there seems to be no Constitutional barrier to court-approved wiretapping of reporters' telephones.

* * *

The court itself acknowledged that legislatures are free to enact added protections for individual privacy and press freedom. Considering the way this court now interprets the Fourth Amendment, Congress and the state legislatures would be well advised to do so promptly.

THE NEW YORK TIMES.

Other U.S. Opinion

Outlay for NATO

It's a mighty big commitment. And, however unfortunate it may appear in philosophical theory, it surely seems a practical necessity—the commitment reached by NATO summit conference in Washington to spend as much as \$100 billion over the next decade to counter Soviet military power in Europe.

Despite continued efforts by the United States to move toward disarmament, the Soviet Union and its Warsaw Pact nations have steadily increased its military power and personnel in Eastern Europe, until now Communist military strength in Europe is considerably greater than the Western nations.

Faced with such conditions of fact, NATO had to react in kind—and so did, with the \$100 billion announcement following the close of the 15-nation group's meeting. In addition to the increased spending, NATO announced a long-term blueprint for welding

alliance forces into one wartime fighting unit.

President Carter also made it extremely clear that the United States is committed to NATO. In a closing statement to the allied leaders, he said that "an attack on Europe will have the full consequences of an attack on the United States. Let there be no misunderstanding. The United States is prepared to use all the forces necessary for the defense of the NATO area."

Those are tough words indeed, words that a good number of Americans will not like. In a perfect world, of course, no sensible people would like talk of war. And it's true that in this nuclear world, humanity's only real security lies in disarmament, certainly of all nuclear arms. But it takes two to tango; you know, and in Europe these days the Russians and fellow travelers are still war dancing.

—From the Atlanta Constitution.

In the International Edition

Seventy-Five Years Ago

June 8, 1903

MARSEILLES — Fifty-seven people were saved, but up to 150 are still missing today as a result of a collision yesterday off Marseilles between two passenger liners of the Fraisinet company, the Liban and Insulaire. The Liban sank within 20 minutes after the collision and the Insulaire had to be trimmed by the stern and taken into port to avoid sinking. Fifty-seven persons of the Liban's total complement of 200, ten of them badly injured, were rescued from the wreckage along with 25 bodies.

Fifty Years Ago

June 8, 1928

LONDON — While complete silence continues regarding the fate of the Italia, the dirigible which has been missing in the Arctic since May 26, both Moscow and Rome are rapidly organizing search parties, according to dispatches received here today. While the Russian search party is already en route for Archangel on the theory that Gen. Umberto Nobile and his men are in Franz Josef Land, neither the United States nor Great Britain are in a position to help materially in the search, at least for the present.



Brzezinski-Young Tension Examined

By Jonathan Power

LONDON — When Zbigniew Brzezinski had his first meeting with the South African Foreign Minister, R.F. Botha in the early days of the Carter administration there was a remarkable bit of opening conversation. Brzezinski welcomed his rather nervous guest, still anxiously attempting to find out which way the Carter African winds were going to blow. Saying "When I was a boy I used to play toy soldiers and my favorites were the Boers. I always stuck up for them." Botha relaxed into a broad smile unaware of the punchline to follow. "But then I always have been in favor of liberation movements," finished Brzezinski.

The impact on Botha of the remark needs no elaboration. What is revealing is Brzezinski's own commitment to radical change in southern Africa, a position that has become confused as press attention has focused on the divide opening up between him and Andrew Young.

Paper Over

Both Brzezinski and Young go to great lengths to paper over the cracks. Brzezinski talks about his hopes that Young will be the first U.S. black secretary of state, possibly within the life of the Carter administration. He anxiously enquires of visitors who know Young what Young thinks of him. I recall too, asking him before Young was appointed to the UN what Carter saw in him. He replied that Young was the "right combination of energy, vitality and idealism." Yet I get the impression, talking to some national security council staff members, that Brzezinski's opinion of Young is rather less than the remark suggests.

Young admires Brzezinski's intelligence and his powers of articulation.

Young also argues that the press reads more into their policy differences than there are. "When we are round the table together," he says, "there isn't the kind of tension and sense of undercutting that the press make out." At the same time it is obvious that Young finds Brzezinski too emotional when it comes to discussing Cuban and Soviet intervention in Africa, and doubts, as many do, Brzezinski's political sense.

The fact that the Young-Brzezinski differences have not been thrown into relief earlier is due to at least four main factors. First, at the beginning of the administration Brzezinski and Young were determined not to contradict each other in cabinet and policy meetings.

Letters

don't personalize the issues. Consequently the policy takes a while to emerge and even when it does, it often bears the marks of the earlier contradictions.

But can the Young-Brzezinski tension continue merely to simmer below the surface or will it at some point erupt into full frontal view?

Now that one way and another the world is so informed of the differences between Young and Brzezinski it will be less easy to keep them from talking about it and even for the two themselves not to be drawn into more direct confrontation. On the other hand, there is

still much that binds them together, apart from their loyalty to the same boss. Brzezinski after all is the author of a remarkable book "Between Two Ages" highly critical of the U.S. attitude to Third World aspirations. Young, for his part shares a conviction that capitalist democracies offer the best hope of providing the leadership for real change in a revolutionary world and that U.S. values when fully lived up to are second to none.

Acceptance

Most important, however, is their common acceptance of the

value of a spiritual component to foreign policy. Brzezinski's desire for the West to stand for "something transcendental" if it is not to be viewed as a "materialist hedonist society without much historical relevance to the dilemmas of our time" is not too far different from Young's belief in the philosophy of Martin Luther King Jr.

Add to that the fact that both men beneath their brave exteriors, share some of the same kind of anxieties over their roles and are repelled by situations that breed personal animosity and it is likely that their conflicts will be kept within bounds.

D-Day Plus 34 Years

By James Reston

WASHINGTON — On the W 34th anniversary of the Allied invasion of Nazi-occupied Europe, the representatives of the United States, Britain, France, Belgium and West Germany met in Paris this week to consider what they could do, if anything, about the Communist activity in Africa.

They didn't do very much. In fact, they disappointed both the people who wanted them to confront the Russians and Cubans in Africa, and the people who wanted them to stay out of all the military and political tangles of that continent. But at least, they did something that may be symbolically important.

Historical analogies are usually misleading, and one of the problems at the moment is that there is a tendency on Capitol Hill these days to look on the Communist adventure in Africa as if it were as great a menace to freedom as the rise of Hitler. But the Allies do seem to be learning one of the lessons of the 1930s.

Young also argues that the press reads more into their policy differences than there are. "When we are round the table together," he says, "there isn't the kind of tension and sense of undercutting that the press make out." At the same time it is obvious that Young finds Brzezinski too emotional when it comes to discussing Cuban and Soviet intervention in Africa, and doubts, as many do, Brzezinski's political sense.

The fact that the Young-Brzezinski differences have not been thrown into relief earlier is due to at least four main factors. First, at the beginning of the administration Brzezinski and Young were determined not to contradict each other in cabinet and policy meetings.

The Allies are striking a fairly good balance in dealing with these problems in Africa. They have not made the mistake of treating all nations alike. They have defended the principle of majority rule in Rhodesia, without declaring economic

No Security

This is that there is no security for any nation except collective security with other nations; that there are no "far-away places" or conflicts that can be ignored, as Neville Chamberlain at first tried to dismiss the tragedy of Czechoslovakia, and that the security of the Atlantic nations cannot be preserved within the boundaries of the NATO treaty, but must be defended by cooperative action wherever it is threatened by direct or indirect Communist aggression.

The Allies are striking a fairly good balance in dealing with these problems in Africa. They have not made the mistake of treating all nations alike. They have defended the principle of majority rule in Rhodesia, without declaring economic

warfare on South Africa. They put together a combination of U.S. air power and European manpower to chase the invaders out of Zaire.

They have warned the Russians not to overplay their hand in Africa, without confusing the conflicts in Zaire, Ethiopia and Angola, with the larger and more important issue of getting the world arms race under control.

This moderate approach to a highly complicated and ambiguous set of world problems has created difficult political anxieties for President Carter. He has been talking tough to Moscow, and sending his national security adviser, Zbigniew Brzezinski, to Peking to remind the Russians that he can play the China card if necessary—but he has been acting very cautiously.

Not Jumping

He is not pulling out of Taiwan, or establishing full diplomatic recognition of the Chinese Communists, knowing that this might cost him enough votes to defeat any new strategic arms treaty with Moscow in the Senate.

He is not jumping into Zaire or ignoring it. He is not breaking relations with Cuba (though he probably will in the near future), but in consultation with his European allies, he is helping to establish, finance and transport a black African legion to counter Moscow's Cuban mercenaries.

Soldiers since the Allies landed by sea and parachuted by air into Normandy 34 years ago have been confronted by more difficult and subtle problems than they now have in Africa and the Middle East.

They were fighting for their lives and countries then, and were united among themselves and with the Soviet Union in the final struggle against Hitler.

Surprising

What is surprising about all this is that Carter is being blamed for being inconsistent, for condemning the Russians one day and cooperating with them on arms control the next; for working with the Chinese against the Russians but not giving Peking what it wants; for promising to support Israel "forever," but opposing Prime Minister Begin and sending planes to Saudi Arabia, and for disagreeing with his European allies, but still working out some kind of practical arrangement with them in the eastern Mediterranean, the Middle East and black Africa.

In an election year in the United States, where Carter's standing in the popularity polls is declining, all this is put down to Carter's "indecision" or political selfishness. And from time to time, he is clearly indecisive and politically self-serving. But considering the problems he faces, the guess here is that it would be foolish to underestimate his handling of foreign policy or domestic politics. Thirty-four years after D-Day, he is tip-toeing through a mine field, and the guess here is that in spite of all the criticism, he is doing it fairly well.

California: Assessing Tax Revolt

By George F. Will

WASHINGTON — In an effort to modernize citizenship, in P.G. Wodehouse's novel "The Luck of the Bodkins," published in 1935, lady, Grayce, although wealthy, wants a necklace smuggled through customs. A friend explains: "Grayce doesn't like the idea of paying duty. She says it's sheer waste. She says the government gets more money than is good for it and only spends it."

Californians have acted on Grayce's axiom. It is widely believed that California is more with whimsy, and worse. So most people will insist that there is national significance in the referendum on Proposition 13, by which voters have sharply reduced property taxes and limited future increases.

In previous debates about limitation measures, in California and elsewhere, opponents have successfully emphasized the fact that reduced taxes mean reduced services. That fact seems to have its sting. California voters set aside funds like faint and said to the government approximately what constituent recently said to Henry Reuss, D-Wis.: The constituent stopped Reuss, a high-class liberal, in the Milwaukee airport and said: "When you go back to Washington, don't do anything. I can't afford it."

Populism

California has instituted populism by providing recourse to referenda in order to involve "the people" directly in legislation. Advocates of such populism have been liberals who are willing to fear of the rude winds of popular opinion. Their assumption is that "the people" are "progressive" because they are, by definition, distinguished from "the interests."

But in four referenda in the last 12 months "the people" have administered thumping defeats of "homosexual rights" laws. And because conservatives approve the decisions made by many recent referenda, some result-oriented conservatives are enthusiastic advocates of that form of decision-making.

This advocacy is an affirmation of the conservative tradition of concern for sound procedure. It is shortsighted and opportunistic, a negation of the essence of representative government. That means the principle of representation, the principle that although "the people" dispose of power, they do not exercise it.

The argument about Proposition 13 was primarily about the severe economic hardship of many homeowners. But the argument was about the assertion that passing the proposition would mean "chaos." This assertion seemed to imply that existing levels of spending and patterns of taxation are merely acceptable, but somehow evitable and indispensable.

This implication was peculiarly gratifying because it ascribed permanence to the works of temporary and fallible legislators. And it suggested a paradox if G.K. Chesterton noted:

"One of the queerest modern politics might be seen this way: That when power is permanent, it was always remiss; that when power was temporary, it was always supposed to be passing; but when power was treated as if it were permanent, it was treated as if it were temporary."

The power of popular government is permanent in the sense of the sovereign, "the people," of continuous. The political ideal of United States installs the idea of government "by the people" as their own.

Paradox

Computer Coders Hide Data in Ciphers

Cryptography and the Electronics Age

By Malcolm W. Browne

NEW YORK, June 7 (NYT) — Paper and ink used to be the raw material for society's valuable symbols: money, contracts, state secrets, plans for new weapons, to safeguard those "valuables."

Incredibly, however, the operating symbols of power and wealth are intangible flicks of electrons which travel through computers at almost the speed of light — and which cannot be locked up.

The shift from paper and ink to electrons, together with the proliferation of computers in government and human commerce, has made it urgent to protect computer data with secure cipher systems. So cryptography is today developing faster than at any time in history, and present-day codes are as remote from the best ciphers of a decade ago as liquid-crystal switches are from their springy predecessors.

Over the centuries, codes and ciphers increased in complexity

only very gradually. In the early 19th century, gifted amateur cryptographers like Edgar Allan Poe could easily hold their own with professionals in devising and deciphering ciphers.

Two world wars and the development of modern communications changed that for good. The advent of computers made the art of cryptography the nearly exclusive domain of professional mathematicians and computer experts, because a computer can try out so many possible ciphers so rapidly that no human brain working alone, much less an amateur cryptographer, can match it.

Standard Challenged

To store computer data safely, the cipher used must be so complex that only another computer knowing the cipher can extract them. Early this year the United States promulgated the first national standard for codes.

In effect, the standard specifies how difficult a cipher must be to qualify as protection for computer data. Devices meeting the standard, officially called the Data Encryp-

Egypt Asks U.S. to Send Armored Troop Carriers

WASHINGTON, June 7 (AP) — U.S. officials say Egypt is seeking about 800 U.S. armored troop carriers to replace worn-out equipment supplied by the Russians years ago.

The request was expected to be a centerpiece of discussions between Egyptian War Minister Mohamed Abdel-Ghani Gamasy and congressmen and senior officials of the Pentagon, State Department and White House over the next three days.

Gen. Gamasy, the first Egyptian war minister to visit the United States, arrived here late yesterday to start a 10-day tour. It will take him to major Army and Air Force installations and to the plant of Ford Motor Corp., where Egypt's 50 SE jet fighter planes will be built.

Gen. Gamasy's visit is less than a month after the Senate upheld President Carter's controversial proposal to sell jets to Egypt and Saudi Arabia as well as Israel.

Proposal Not New

The Egyptian proposal to buy about 800 tracked armored personnel carriers had been under study before the jet sale deal reached its critical vote in the Senate. But it was not publicly acknowledged by administration officials, apparently of concern that it might deepen a split in Congress to the plane

position of the Senate upholder of the Carter proposal.

Gen. Gamasy's arrival yesterday coincided with Egyptian President Anwar Sadat's public reminder to recall that his country is ready to

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French Children Meet Japanese Master Kitemaker

Objective: Flights of Fancy

By Jane M. Friedman

PARIS, June 7 (IHT) — Hundreds of French youngsters have turned their fancies to kites — they are making them and flying them under the instruction of a mysterious-looking kite maker from Japan. Both the kite maker and the craft have swept the children off their feet.

The kite maker is 46-year-old Mitsuo Okatake, a book designer from Osaka who discovered the joy of kites five years ago. Mr. Okatake, who paints traditional Japanese puppets on his five-sided kites, was brought to France under the auspices of a kite-flying festival to be held on June 25 in the Bois de Vincennes (on the southeastern edge of Paris), an event sponsored by the International Herald Tribune and Japan Air Lines. The Pompidou Art Center at Beaubourg hired him for two weeks to teach French schoolchildren how to make and fly kites. The classes started May 31 and end Saturday.

In all, 24 classes of French children will make traditional Japanese kites at the center's Atelier des Enfants under Mr. Okatake's instruction. Saturday, Beaubourg will hold a "wind festival" on the plaza in front of the art center where Mr. Okatake will demonstrate his own kites and the children will fly theirs.

"This was super," said 9-year-old Marc Mercier after a recent session with Mr. Okatake at which the children assembled four-sided kites from rice paper, bamboo sticks and special glue all brought from Japan. "At least we have something we can take home with us," said Sandrine Delipierre, who was jealous at first of other 9-year-olds next door exercising on bars. When the children began to realize that the kites would actually fly, they became enthralled.

Although Mr. Okatake speaks no French, he manages a warm nonverbal communication with the children. "I understand children easier than I understand adults," he said later through an interpreter.

Mr. Okatake, who was born in

Osaka, is one of about 15 recognized kite artists in Japan. At age 25, after working in a government office, a local factory and at a newspaper, he began to take drawing and painting lessons. Later, he drew for children's books. Five years ago, after drawing kite themes for a book, he became fascinated by Japanese kite designs.

Kites have been popular in Japan since the 7th century, when they were apparently introduced by visiting Chinese. Traditionally, kites were used in religious rituals, harvest festivals and even in war.

Today's kites, which often bear pictures of theater figures and are



Mitsuo Okatake supervises young French kite makers at Centre Beaubourg's Atelier des Enfants. (Photo: Jean-Pierre Pavillard)

flown in mock kite wars, were developed in the 19th century. According to Mr. Okatake, 2,000 Japanese are employed in making kites today.

Mr. Okatake's kites, which are five-sided and wider on the bottom than on top, bear painted portraits of puppets from Osaka's Bundaku theater, which was created in the 17th century. In the Bundaku theater there are about 10 white-faced puppets, with elaborate head dressings, small heads and wide bodies. The plots often involve a guileless girl, an evil man and an honest man. Double suicides in tragic love affairs are frequent.

Emblem of Osaka

"Many kite makers paint the Kabuki theater of Tokyo," said Mr. Okatake after a kite lesson last week. "I wanted to do something else." A proud resident of Osaka, said, "Children are the same all over the world."

On his first visit to France, Mr. Okatake has become enamored of French children. "They're so we behaved," he said last week. "On even kissed me on the cheek after class."

"Of the children's enthusiasm for kites, Mr. Okatake concluded, "Children are the same all over the world."

Fashion in New York

Europeans Cutting Into U.S. Ready-to-Wear Market

By Herb Dorsey
NEw YORK (IHT) — European ready-to-wear designers are finally making it in the United States.

For a long time, with the exception of Henri Bendel, the picture was not as good as it should have been. American store presidents and buyers went to Europe regularly and stirred a lot of wind with hardly any results back home. With Seventh Avenue in tight control of the fashion industry, those trips were primarily for prestige and window dressing. They also helped the Americans to keep up with the new fashions, and occasionally, to do a little copying on the side at cheaper places, such as Hong Kong.

As of now, the store has captured Krizia, Armani, Basile, Odicini and Fendi. Other well-known Italian names are in accessories, such as Trussardi (bags), Mario Valentino (shoes and leather clothes) and Ripa (furs).

Italian clothes are more sporty than French ones," fashion director Dawn Mello said. "That's why American women relate to them. Also, despite the fact that European merchandise is 25 percent higher, because of duty, they are still in many cases, as good as money in the bank. Mila Schon's clothes, for instance, sell right out."

All told, Bergdorf Goodman has invested 30 percent of its purchasing to European fashions, which

"As a percentage of total is very high," Mr. Neimark said. "It runs into millions of dollars."

Same story at Bloomingdale's, where senior vice president Murray Friedman said that the European fashions, which represented 1 percent of the action 10 years ago now amount to 15 percent.

"The tide started turning 10 years ago," Mr. Friedman said. "With the first Yves Saint-Laurent boutique, Missoni also opened at the same time. Now, the store has about 30 prominent European designers, including 10 Italian, 18 French and, in England, Zandra Rhodes."

"Europeans give us a quality product and a sense of excitement in new fashions," Mr. Friedman added. "I think the French bring more excitement. It has to do with Paris, which is more stimulating, more competitive. Milan is fashionable, chic, subtle. The Italians make the clothes better and their proximity to fabrics is an added advantage."

Mr. Friedman also confirmed that Europeans have learned the American market. "They understand early deliveries because they, too, now go to sun places. Even the European boutiques have changed to this or that designer and short all over."

"The Europeans have also learned to keep the flow of merchandise coming by opening their own shops. Courreges, alone, has 28 boutiques in the United States. They're learning the American way of doing business. It will be interesting to see how many survive."

But although the picture for Europeans is far better than it used to be, there are still a lot of problems. For instance, many designers, such as Claude Montana, Jean-Claude Luca and Basile, did not get the space and exposure they deserved at Bloomingdale's. Late deliveries, a store spokesman said. As for Kenzo, who now has a boutique all marked down, because Mr. Friedman said, "Americans understand, but it's tough selling because of the prices. Too high for very avant-garde and young styles."

As is Bergdorf, Bloomingdale's is leaning heavily on presentation, and, "We're building a new set of

From Late 19th and Early 20th Centuries

A Quick Course in Morals and Manners

By Lee Lescase

NEW YORK (WP) — A lover should not hold his bride by the ears. Clergymen should not be fed on the choicest delicacies lest their other "appetite" be inflamed. A four-leaf clover slipped into a man's shoe will make him forever adore the woman who placed it there.

If you didn't know these simple rules pertaining to sex, manners and morals, it is because you haven't learned from the past — but there is still time to take a quick course.

A woman can learn the almost forgotten secret of Hesse and Oldenburg, where many a man's heart was captured by a girl who cleverly cut her finger and allowed a few drops of blood to mingle with his glass of beer. (In Bohemia, bat's

blood could be used by any who flinched from pain — and had a supply of bats.)

Men can still be saved from the tragedy of marrying a woman with a forehead shaped like their own. And parents can be reminded that it is dangerous to whip children lest they come to like it.

This love is contained in "This Was Sex," a collection by Sandy Teller of advice available in the late 19th and early 20th centuries on subjects now the province of advisers from Playboy and Penthouse magazines. The advice comes from an era in which there was more action in movie houses than on their screens, but it shares one bias with much of today's advice: it is written, in the main, for men.

Arch Villain

The playboy, however, is the arch villain of whom all good company must beware. "Compared with his crime, murder is innocence. Even hanging forever would be too good for him," the author of "Sexual Science" states of the Seducer.

But just when everything seems clear, the author of "Sexual Ethics: A Study of Borderland Questions" counseils men that it is not always easy to tell whether a woman's resistance is feigned or real.

"Whether the use of a certain degree of violence will arouse the most ardent passion of love or the most furious anger ... whether he will find himself in paradise or in the penitentiary," is a question upon which the reader receives no clear instruction.

Other subjects were easier for our ancestors, advisers.

"To live weight, women are told to have lots of children, drink wine, tea and sleep naps,"

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Page 7

Bonn Readies Plan for Summit

By Paul Lewis

BONN, June 7 (NYT) — Authoritative government sources report that West Germany is ready to accept a package deal at the Western nations' economic summit meeting here next month under which it would agree to promote faster economic growth at home if other countries renounced protectionism and President Carter promised to curb U.S. oil imports.

The West German policy is being coordinated by Chancellor Helmut Schmidt, who is anxious to make the July 15 meeting a personal political success, according to sources here. As a result, West Germany's final position is unlikely to become known in detail before the meeting.

Stagnant Growth Seen

The readiness to make such a deal, the sources say, reflects Bonn's expectation that the economy

Trades Stimulus For U.S. Pledge

to impose an import tax on foreign oil and take other steps within his power to conserve energy if Congress still has not passed an energy conservation act by an agreed date. Agreement on such a package of economic reforms, the West German government believes, will insure the success of the Bonn meeting, help restore faster economic growth in the West next year and satisfy the mounting international pressure on West Germany to stimulate its economy.

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Fukuda Sees Possibility Of New Stimulus in Japan

TOKYO, June 7 (Reuters) — Supplementary measures to accelerate Japan's economic recovery may become necessary within a few months, Prime Minister Takeo Fukuda acknowledged today.

Speaking to a meeting of the ruling Liberal Democratic Party, he said the nation's economy is showing signs of improvement as measured by recent economic indicators. However, he said that while he hoped the present upturn would be consolidated, it was possible this would not happen — making additional moves necessary.

Japan has targeted a 7-percent growth rate for the current fiscal year and, although widely doubted by economists as achievable, Mr. Fukuda has made it a pillar of his campaign to spur demand at home and induce imports to curtail the nation's trade surplus. During his visit to Washington last month, he stressed his intention to "take whatever measures necessary" to achieve the growth target.

Meanwhile, a survey by the Economic Planning Agency indicated that Japan's trade surplus this year may rise about 35 percent from the \$15.9-billion surplus recorded in 1977.

The government agency's survey of 38 leading trading houses showed that customs-clearance exports this year will total \$59 billion while imports will total \$80.9 billion, leaving a gap of \$15.1 billion. Based on the formula used by the International Monetary Fund to determine trade balances, the estimated trade gap will total about \$23-to-\$24 billion.

The government officially projects a trade surplus of \$13.5 billion and a current-account surplus of \$6 billion for the fiscal year ending March, but has made no predictions for the calendar year to compare with the EPA forecast. However, in April, Mr. Fukuda said that "even God" could not help Japan stick the target for reducing its current-account surplus.

The governor of the Bank of Japan, Teijiro Morinaga, today said Japan will do its best to cut its trade surplus, but urged the United

Net Falls 29.3%, Sales Rise For Hoffman-Roche

BASEL, June 6 (AP-DJ) — Net profit of the Hoffmann-La Roche group, including its holding company Sapsic Corp., fell 29.3 percent in 1977 from a year earlier despite a 7.3-percent rise in world sales, the company said today.

The pharmaceuticals and chemicals multinational cited foreign-exchange losses for the decline in net to \$35.9 million Swiss francs (about \$175 million) from 473.1 million francs a year earlier. Group sales rose to \$4.87 billion francs from \$4.15 billion francs.

Foreign-exchange losses last year amounted to 205 million francs, up sharply from 61 million francs in 1976. The board has proposed an unchanged dividend of 550 francs per share and per participation certificate.

Group sales expressed in Swiss francs have fallen about 10 percent in the first four months of this year from a year earlier, chairman Adolf Jann said.

New Issues Set by Canon, Asics

TOKYO, June 7 — Canon will issue 100 million Swiss francs in five-year convertible bonds with an annual interest rate of 3% percent priced at par, the company said today.

In Osaka, Asics Corp. said it will float a \$15-million convertible Eurobond next month. Although terms have not been set, sources said the issue is expected to be for 15 years with a coupon of 6.25 percent.

In London, Baker International intends to float a \$30-million, 15-year convertible Eurobond with a 5.5 percent annual coupon. The conversion price is expected to range between 12-to-15 percent above the price of the shares when the final terms are set on June 19. Formerly known as Baker Oil Tools, the company manufactures and sells a wide range of products for the oil industry.

Higher Prices are Not Certain

Higher prices are not certain, however. A roughly parallel situation this time last year was followed by a sharp drop in demand just before harvest. However, soybean prices currently are more than \$2 a bushel lower than a year ago.

"Demand seems more apt to extend than to end," says George Kromer, an Agriculture Department economist.

Analysts at R.G. Dickinson & Co., a Midwestern brokerage firm, put the case even more bluntly: "In 1973, \$12-a-bushel soybeans, \$400-a-ton soybean meal, a \$5 spread between the prices of old- and new-crop soybeans and an embargo on exports were all necessary to enforce a cutback in May through August usage. Last year, it took \$10 beans, \$300 meal, cheap corn, a \$3 price spread between the old and new crops and a major increase in soybeans from Brazil to force the reduction."

The Agriculture Department has been raising its consumption estimates monthly since January, but some in the trade say even the latest estimate — that 1.65 billion bushels will be used in the year ending Sept. 1 — is too low. U.S. supplies lately have been dwindling by 30 million bushels or more weekly, or about one million too many to coincide with the department's projections. Processors have

been buying up old-crop soybeans to fill the gap.

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FINANCIAL NEWS AND NOTES

FTC Hits SKF, Federal-Mogul Pact

A Federal Trade Commission (FTC) official has ruled that a supply agreement between Federal-Mogul Corp. and SKF Industries "was a conspiratorial scheme to allocate markets" in violation of the antitrust laws but found that SKF's acquisition of two competing ball-bearing companies was not illegal. Under the agreement, SKF became Federal-Mogul's supplier of bearings for the automotive parts market, and Federal-Mogul stopped plans for manufacturing the bearings while SKF stopped distributing them. The presiding judge ordered cancellation of the 1974 agreement one year after a final order in the case to "rid the bearings industry of the effects of this illegal conspiracy." A final order may be a long time off, however, because the decision will be appealed to the commission, whose decision may then be appealed to the federal courts. The judge also barred SKF and its Swedish parent company, the world's largest bearing manufacturer, from supplying certain types of tapered roller bearings to Federal-Mogul.

U.K. Car Sales Rise 6.4% in May

Only last week, for instance, Bundesbank president Otmar Emminger told a conference in Munich that the country was ready to "cooperate in order to narrow its economic growth differential with the United States." Although the government is officially committed to 3.5-percent growth rate this year, no one now seriously believes that this can be achieved. The nation's five independent economic forecasting institutions all believe growth will be below 3 percent.

The summit package may also include an undertaking by members of the Common Market to seek greater stability among their currencies to encourage trade and investment. But West German sources do not believe the governments will be ready to give iron-clad commitments.

Delays Budget Plan

BONN, June 7 (AP-DJ) — The cabinet decided today to delay a decision on its 1979 budget proposal until July 26. Finance Minister Hans Matthaeus said. He said the delay would allow the government to review discussions at the July summit, to analyze first-half economic results and to collect data for a new tax-revenue analysis.

The legislation which still must be approved by both houses of Congress would bar telephone companies from the manufacture of telephone equipment — a move that would force AT&T to get rid of its Western Electric manufacturing arm and similarly force General

Telephone & Electronics to shed either its telephone or equipment operations, subcommittee staff members explained.

The legislation would create a new communications regulatory commission as a greatly streamlined replacement for the present Federal Communications Commission. The new commission among other things would be directed to decide the extent to which one telephone service should subsidize another. Such cross-subsidy decisions, which determine the rates of different telephone services, mostly have been left to negotiations between AT&T's Bell System and state utility commissions.

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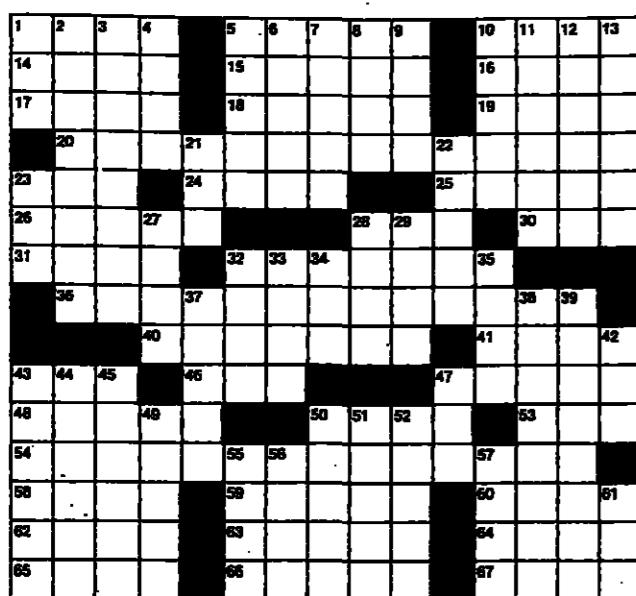
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AMEX Nationwide Trading Closing Prices June 7

12 Month Stock High Low Div. In \$ Yld. P/E		Sls. High Low		Close Prev.		Chg. Prev.		12 Month Stock High Low Div. In \$ Yld. P/E		Sls. High Low		Close Prev.		Chg. Prev.		
Stock	Div.	Yld.	P/E	High	Low	Quot.	Close	Stock	Div.	Yld.	P/E	High	Low	Quot.	Close	
902 AAE Phm	.40	11.15	20	20	19	91+	91+	169 AAE Concr	.70	4.6	5	9	151	15	154	154
910 AAV	.25	24.7	22	22	21	5%	5%	204 AAE Cond	.21	23	4	18	124	12	12	12
915 AAV	.25	20.7	20	20	19	5%	5%	205 AAE Cons	.16	23	4	18	124	12	12	12
916 AAV	.25	20.7	20	20	19	5%	5%	206 AAE Cont	.11	15	14	14	116	116	116	116
917 AAV	.25	20.7	20	20	19	5%	5%	207 AAE Cont	.11	15	14	14	116	116	116	116
918 AAV	.25	20.7	20	20	19	5%	5%	208 AAE Cont	.11	15	14	14	116	116	116	116
919 AAV	.25	20.7	20	20	19	5%	5%	209 AAE Cont	.11	15	14	14	116	116	116	116
920 AAV	.25	20.7	20	20	19	5%	5%	210 AAE Cont	.11	15	14	14	116	116	116	116
921 AAV	.25	20.7	20	20	19	5%	5%	211 AAE Cont	.11	15	14	14	116	116	116	116
922 AAV	.25	20.7	20	20	19	5%	5%	212 AAE Cont	.11	15	14	14	116	116	116	116
923 AAV	.25	20.7	20	20	19	5%	5%	213 AAE Cont	.11	15	14	14	116	116	116	116
924 AAV	.25	20.7	20	20	19	5%	5%	214 AAE Cont	.11	15	14	14	116	116	116	116
925 AAV	.25	20.7	20	20	19	5%	5%	215 AAE Cont	.11	15	14	14	116	116	116	116
926 AAV	.25	20.7	20	20	19	5%	5%	216 AAE Cont	.11	15	14	14	116	116	116	116
927 AAV	.25	20.7	20	20	19	5%	5%	217 AAE Cont	.11	15	14	14	116	116	116	116
928 AAV	.25	20.7	20	20	19	5%	5%	218 AAE Cont	.11	15	14	14	116	116	116	116
929 AAV	.25	20.7	20	20	19	5%	5%	219 AAE Cont	.11	15	14	14	116	116	116	116
930 AAV	.25	20.7	20	20	19	5%	5%	220 AAE Cont	.11	15	14	14	116	116	116	116
931 AAV	.25	20.7	20	20	19	5%	5%	221 AAE Cont	.11	15	14	14	116	116	116	116
932 AAV	.25	20.7	20	20	19	5%	5%	222 AAE Cont	.11	15	14	14	116	116	116	116
933 AAV	.25	20.7	20	20	19	5%	5%	223 AAE Cont	.11	15	14	14	116	116	116	116
934 AAV	.25	20.7	20	20	19	5%	5%	224 AAE Cont	.11	15	14	14	116	116	116	116
935 AAV	.25	20.7	20	20	19	5%	5%	225 AAE Cont	.11	15	14	14	116	116	116	116
936 AAV	.25	20.7	20	20	19	5%	5%	226 AAE Cont	.11	15	14	14	116	116	116	116
937 AAV	.25	20.7	20	20	19	5%	5%	227 AAE Cont	.11	15	14	14	116	116	116	116
938 AAV	.25	20.7	20	20	19	5%	5%	228 AAE Cont	.11	15	14	14	116	116	116	116
939 AAV	.25	20.7	20	20	19	5%	5%	229 AAE Cont	.11	15	14	14	116	116	116	116
940 AAV	.25	20.7	20	20	19	5%	5%	230 AAE Cont	.11	15	14	14	116	116	116	116
941 AAV	.25	20.7	20	20	19	5%	5%	231 AAE Cont	.11	15	14	14	116	116	116	116
942 AAV	.25	20.7	20	20	19	5%	5%	232 AAE Cont	.11	15	14	14	116	116	116	116
943 AAV	.25	20.7	20	20	19	5%	5%	233 AAE Cont	.11	15	14	14	116	116	116	116
944 AAV	.25	20.7	20	20	19	5%	5%	234 AAE Cont	.11	15	14	14	116	116	116	116
945 AAV	.25	20.7	20	20	19	5%	5%	235 AAE Cont	.11	15	14	14	116	116	116	116
946 AAV	.25	20.7	20	20	19	5%	5%	236 AAE Cont	.11	15	14	14	116	116	116	116
947 AAV	.25	20.7	20	20	19	5%	5%	237 AAE Cont	.11	15	14	14	116	116	116	116
948 AAV	.25	20.7	20	20	19	5%	5%	238 AAE Cont	.11	15	14	14	116	116	116	116
949 AAV	.25	20.7	20	20	19	5%	5%	239 AAE Cont	.11	15	14	14	116	116	116	116
950 AAV	.25	20.7	20	20	19	5%	5%	240 AAE Cont	.11	15	14	14	116	116	116	116
951 AAV	.25	20.7	20	20	19	5%	5%	241 AAE Cont	.11	15	14	14	116	116	116	116
952 AAV	.25	20.7	20	20	19	5%	5%	242 AAE Cont	.11	15	14	14	116	116	116	116
953 AAV	.25	20.7	20	20	19	5%	5%	243 AAE Cont	.11	15	14	14	116	116	116	116
954 AAV	.25	20.7	20	20	19	5%	5%	244 AAE Cont	.11	15	14	14	116	116	116	116
955 AAV	.25	20.7	20	20	19	5%	5%	245 AAE Cont	.11	15	14	14	116	116	116	116
956 AAV	.25	20.7	20	20	19	5%	5%	246 AAE Cont	.11	15	14	14	116	116	116	116
957 AAV	.25	20.7	20	20	19	5%	5%	247 AAE Cont	.11	15	14	14	116	116	116	116
958 AAV	.25	20.7	20	20	19	5%	5%	248 AAE Cont	.11	15	14	14	116	116	116	116
959 AAV	.25	20.7	20	20	19	5%	5%	249 AAE Cont	.11	15	14	14	116	116	116	116
960 AAV	.25	20.7	20	20	19	5%	5%	250 AAE Cont	.11	15	14	14	116	116	116	116
961 AAV	.25	20.7	20	20	19	5%	5%	251 AAE Cont	.11	15	14	14	116	116	116	116
962 AAV	.25	20.7	20	20	19	5%	5%	252 AAE Cont	.11	15	14	14	116	116	116	116
963 AAV	.25	20.7	20	20	19	5%	5%	253 AAE Cont	.11	15	14	14	116	116	116	116

CROSSWORD By Eugene T. Maleska



ACROSS

1 One of the Three Bears
5 Weight of interest to Diamond Lil
10 Skinfinty
14 Impediment to progress
15 Type of tree
16 "Gloomie Dean" of St. Paul's
17 Vetch
18 Dr. Richards of temis
19 Harem rooms
20 "Rigoletto" aria re womankind
22 Charisse
24 Lithuanian's relative
25 Composer of "The Rosary"
26 Useful
28 Sometime member of the wedding
30 Squiff with exist and insist
31 City on the Arno
32 City official
34 A woman, to Pope
48 Little-known Moses
49 Tadpole's parent
43 Murray's "Caught in the —— of Words"
46 Miss Dodo

DOWN

1 Sound seeking silence
2 Word with geometry or judgment
3 "II —"
4 On in years
5 Chili con —
6 F.B.I. man
7 Attacked
8 Fit to —
9 Abound
10 Tearful queen
11 Salad tidbit

WEATHER

	C	F	C	F
ALGARVE	17 63	Cloudy	MADRID	22 72
AMSTERDAM	19 66	Overcast	MIAMI	30 84
ANKARA	22 72	Clear	MILAN	24 75
ATHENS	27 81	Clear	MONTRÉAL	19 64
BEIRUT	21 71	Cloudy	LA	24 75
BELGRADE	21 71	Cloudy	MOSCOW	27 77
BERLIN	26 82	Showers	MUNICH	19 64
BRUSSELS	18 64	Overcast	NEW YORK	20 84
BUCHAREST	27 81	Clear	OSLO	22 72
BUDAPEST	27 81	Overcast	PARIS	20 68
CASABLANCA	27 81	Overcast	PRAGUE	26 78
COPENHAGEN	21 70	Showers	ROME	24 75
COSTA DEL SOL	21 70	Overcast	SOFIA	24 75
DUBLIN	13 55	Rain	STOCKHOLM	22 81
EDINBURGH	15 61	Overcast	TOKYO	21 71
FLORENCE	20 65	Cloudy	TEL-AVIV	20 82
FRANKFURT	25 77	Clear	TUNIS	20 84
GENEVA	26 72	Cloudy	VIENNA	24 72
HELSINKI	26 78	Clear	WARSAW	26 78
ISTANBUL	24 75	Cloudy	WASHINGTON	26 78
LAS PALMAS	21 70	Cloudy	ZURICH	24 75
LISBON	21 70	Overcast		
LONDON	18 64	Cloudy		
LOS ANGELES	18 64	Overcast		

(Yesterday's readings U.S. and Canada at 1700 GMT; all others at 1200 GMT.)

INTERNATIONAL FUNDS

ADVERTISEMENT

June 7, 1978

The next annual value quotations shown below are supplied by the Funds listed with the exception of some Swiss funds whose quotes are handled in America. The following symbols indicate frequency of quotations supplied for the I.M.F.: (d) daily; (w) weekly; (m) monthly; (r) regularly; (i) irregularly.

BANK JULIUS BAER & Co Ltd:

Other Funds

(d) 1 Boerbank	SF 748.30	(w) Alexander Fund	\$4.91
(d) 1 Canbar	SF 701.00	(w) Trustor Int'l. Fund	\$7.26
(d) 1 Cenbar	SF 701.00	(w) Austria Salat Fund	\$1.63
(d) 1 Stockbar	SF 722.00	(w) Austria P. Fund	\$10.14
BANQUE VON ERNST & CIE:		(w) CARITAT	
(d) 1 CSF Fund	SF 17.97	(d) Capital Reinforced	LF 1,802.25
(d) 1 CSF Fund, L.V.	SF 32.00	(w) Capitalis Open-End Fund	\$1,802.25
BRITANNIA TRUST MNGT. CH. LTD.:		(w) Capitalis Offshore Fund	\$1,971.56
(w) 1 Int'l High Interest Trust	SF 5.50	(w) Convert. Pd Int'l. Carts.	\$7.54
(w) 1 Int'l. Fund	SF 1.00	(w) Credit Fund, Bank Pd. N.Y.	\$1.00
CAPITAL INTERNATIONAL S.A.:		(d) D.C.C.	\$4.20
(d) Capital Int'l. Fund	SF 17.29	(d) Diversified (ex-Divid.)	\$3.87
(d) Capital Ratio S.A.	SF 5.16	(w) Diversified Fund	\$1.07
(d) Convertible Capital S.A.	SF 2.82	(w) Diversified Intercontinent.	\$14.45
CREDIT SUISSE:		(w) First Eagle Fund	\$3,677.00
(d) Actions Suisse	SF 88.00	(w) First Income Fund	\$20.81
(d) C.S. Fonds-Suisse	SF 42.00	(w) First Investors Selection Fund	\$F 1,510.00
(d) C.S. Fonds-Int'l.	SF 61.00	(w) First Investors Selection Fund	\$10.29
(d) Used:	SF 474.00	(w) First Trust Interests	DM 42.11
(d) Europe-Votor	SF 111.00	(w) Future Assets/Capital Pd	Ans. 9.05

DT INVESTMENT FRANKFURT:

(d) 1 Int'l Reinforcement

DM 24.00 D 67.740 (w) Hawesman Hills, N.Y.

(d) H.D.O.T. Hotel

SF 27.15

(d) Ifund

\$31.02

(d) Interfund S.A.

SF 12.35

(d) Interfund Pd Fund

SF 2,424.00

(w) Interfund Pd Fund

SF 1,500.00

(d) Interfund Suisse Fund

SF 1.54

(d) Invest Affiliates

SF 1.61

(d) Interfund Int'l. Fund

SF 7.24

(d) Interfund Int'l Pd S.A.

SF 7.24

(d) Julius Baer

SF 2.00

(d) Kreditanstalt

SF 1.25

(d) Kreditanstalt Pd Fund

SF 1.25

(d) Kreditanstalt Pd S.A.

SF 1.25

Brazil, Spain Draw; Austria Wins

MAR DEL PLATA, Argentina, June 7 (AP) — Three-time World Cup winner Brazil was held to a draw yesterday by a scrapping Spanish defense.

Austria, meanwhile, outpaced Sweden to win 1-0 on a penalty and qualify for the second round of the World Cup.

The tie dimmed Brazilian chances to enter the second round. It gained one point, keeping it in second place behind Austria in Group 3.

The Brazilians must play Austria on the spongy Mar Del Plata field on Saturday.

The Brazilian attacking line was a pale shadow of the precision passing and shooting for which it was known. The absence of Roberto Rivellino seriously hampered the Brazilian team; roundly booted by thousands of its fans here.

But the Spanish defense, led by the spectacular leaps of goalies Miguel Angel Gonzalez, was able to neutralize many of the Brazilian attacks.

In Buenos Aires, Jahan Krahl, Austria's goalkeeper, converted the penalty in the last minute of the first half.

With Brazil and Spain drawing, Austria cannot be overtaken in Group 3. The Austrians have four points from two games, Brazil two and Sweden and Spain one each.

Any of the other three teams still has the chance to move into the second round with Austria.

Austria-Sweden was a clean game, unusually free from fouls, yet it was a foul that decided the result.

As the first half was ending, Krahl cut into the penalty area from the left wing and Bjorn Nordquist, Sweden's international veteran, brought him down.

But the Austrians were clear winners and owed their success to their speed. They were faster to the tackle and to the loose ball than the Swedes.

The Brazilians came close to scoring on three occasions two of them from Nelinio. The other was from Zico, who took a fizzing free kick in the second half, shaving the Spanish crossbar.

The most thrilling moment of the match came after an intense but impulsive Brazilian bombardment of the Spanish goal. Juanito, the best Spanish attacker on the field, leaped into a counterattack on the left side.



French goalkeeper Jean-Paul Bertrand-Demane is taken off field.

Associated Press

France in Defeat, Opponents Advance

By Rob Hughes

CORDOBA CITY, Argentina, June 7 (IHT) — "Argentina, Argentina."

Throughout the night, in the streets of Buenos Aires, Cordoba, Mar Del Plata, Mendoza and Rosario — the five cities staging this World Cup — the ecstatic anthems rang out. Colorful, patriotic, crowds swarmed down the avenues, waving their banners and flags, peppering the air with ticker-tape, blasting their car horns ... celebrating the fact that, after two matches, Argentina is into the quarterfinals of the World Cup.

Heaven knows what will happen if it actually wins the cup, as its forward play and the continuing intimidation by its crowds of referees suggest is possible. Quietly, suddenly, at the Hindu Club in Buenos Aires, the French team was swallowing hard on the television replays which proved that the penalty decision that gave Argentina the victory last night was, to say the least, dubious. They are now out of the World Cup despite providing us, in two games against Italy and Argentina, with perhaps the best midfield soccer so far.

Worse, the French are sharing their hotel with Italy, which last night also assured itself of a place in the last eight. And worse, France may now lose Michel Hidalgo, its pleasant, open manager, when it is

said, will resign because of a mercenary attitude displayed by his team here.

Tournament's Star

Yet, in the eyes of most neutrals here, France has been the most attractive side of the tournament's first round. Its midfield, hinged on the superlative touch play of Michel Platini and the sureness of Dominique Bathenay, baffled Italy and Argentina with its persistent interpassing, its emphasis always on the offensive.

Behind that, Marius Tresor, the French captain, nevertheless has been the most dominating, positive leader we have seen. However, in each match, France missed the presence of an aggressive attacker to convert its superiority into goals.

Last night, it exposed Argentina's defense for long spells yet went behind on the stroke of half-time when Swiss referee Jean Duval awarded a penalty for handball when the ball struck the right hand of Tresor as he fell to the ground after making a good tackle.

Monte Fresco, an English photographer hardly noted for his reticence, screamed: "If that was a penalty I could be the next pope."

It demonstrated how the French had captured neutral hearts. But Argentine fullback Daniel Passarella demonstrated how to take a perfect penalty, hitting the ball with its spine making a save against a post.

Italy Moves On

That, sadly, is the end of the French, no matter how they play against Hungary this weekend.

In the same group, Italy joins Argentina after eliminating Hungary, 3-1, a victory smooth and convincing, one which reiterated that in Paolo Rossi the Italians have discovered an 11th-hour scorer and attack-leader. Rossi, Roberto Bettega and Romeo Benetti (a pleasant surprise in this World Cup, using his skills going forward more than his infamous ugly destructive flair) scored three times in the first hour.

It will be interesting to see how the Magyars react.

And, despite conceding a late penalty, Italy had no troubles with the disappointing Magyars.

On Saturday, the Argentines-Italy match in Buenos Aires, one which conjured visions of blood and crowd trouble, becomes a tame affair, one between two already qualified teams and one which may now become a strategic cease-fire, depending on whether it is important for either to win to secure a favorable second-round opponent. Because Italy and Argentina could yet contest the final, they will be giving little away.

Meanwhile, we also witnessed last night what could be the authentic beginnings of the African emergence in world soccer. Tunisia, having thrashed the poor Mexican team last week, shook Poland in a first half in which the Poles scored a late goal by winger Grzegorz Lato. But then, with the Argentine crowd urging on the Tunisians, the response was amazing: a display of quite sophisticated but certainly passionate African pressure which rocked the Poles, a team which increasingly looks as if it plays by

computer and had not been programmed for such audacity from Tunisia.

Ultimately, the qualities that spurred Tunisia — the adrenaline and drive — betrayed their finish. With Jan Tomaszewski beaten at least three times, the excitement of the occasion produced wild finishing and no goals — although Tomaszewski's bar was hit. Nevertheless, Tunisia, a team of African skills brought up on largely Yugoslav coaching, may well be the Africans' — just about 25 years after top soccer experts began predicting it.

Finally, last night, the champion, West Germany recovered rhythm and power to down Mexico, 6-0, with goals coming from Hans and Dieter Muller and two each from the Heinz Flohé and Karl Rummel.

It amounted to shooting practice for the Germans ... but with what repercussions in Mexico? When, last weekend, Mexico was defeated, 1-0, by Tunisia, the news back in Mexico city was received with such an overpowering sense of shame one man actually hanged himself.

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computer and had not been programmed for such audacity from Tunisia.

"We think he can step right in there with us," Finley said, announcing his intention to have Mike Morgan, a right-handed pitcher taken from Valley High School in Las Vegas, Nev., start for the A's on Sunday. "We would not have drafted him if we didn't think we were getting the best."

"Don't forget we had good luck with two other pitchers who were high draft choices and never pitched in the minors," said Finley. "One was Catfish Hunter and the other was Lew Krausse."

Finley said that as a senior, Morgan fanned 111 in 72 innings, won 26 and had a 7-2 record and an ERA of 0.68.

The Atlanta Braves, whose park is a home run hitter's dream but whose lineup has been unable to supply the long ball, chose college baseball's all-time leading slugger to open the summer free-agent draft.

Bob Horner, an infielder from Arizona State who set NCAA single season and career home run records this year, was the No. 1 choice.

Toronto, with the second pick, selected Lloyd Moseby, an 18-year-old shortstop from the University of Louisville.

In other matches yesterday, Ramirez downed Victor Pecchi, 6-2, 6-2, 7-6, and Orantes and compatriot Jose Higueras beat Stockton and Eric van Dillen in the doubles quarterfinals, 6-0, 7-5.

In the women's quarterfinals yesterday, defending champion Mima Jausovac beat Kathy May, 6-4, 6-2, and Regina Marsikova downed Helga Masthoff, 6-3, 6-3.

Advances in French Tennis

Vilas Survives Gildemeister Threat

PARIS, June 7 (AP) — Defending champion Guillermo Vilas survived a crafty challenge from Hans Gildemeister, 6-4, 2-6, 6-1, 3-6, 6-3, to day into the semifinals of the \$400,000 French Open tennis tournament.

Dick Stockton also moved into the semifinals with a surprising 5-7, 6-3, 6-4, 6-4 triumph over Manuel Orantes.

Stockton, the favorite here to win his third French open title, had a day's rest after ousting Roscoe Tanner yesterday.

In one of the most exciting, though not most artful matches of the tournament, the unorthodox Gildemeister played a cat-and-mouse game against Vilas, using his deceptive two-handed forehands and backhands.

The powerful Stockton had trouble adjusting to the center court at Roland Garros stadium in the first set but recovered well to take the second set with strong serves and

aggressive net play. He stuck to the same tactics to grind down Orantes, who was not as sharp as in earlier matches.

Stockton and Eddie Dibbs are the only U.S. survivors of the first 10 days of the 14-day competition, where all men's matches are best-of-five sets.

Orantes who pinched a nerve in his back last month, fell during the fourth set and clutched his back. But he said that he did not think that the match had aggravated the injury.

The soft-spoken Spaniard, a favorite on the pro tour, said that he would skip Wimbledon in favor of a rest.

In women's competition, Virginia Ruzici rallied to advance to the

semifinals with a 6-7, 6-4, 8-6, victory over Fiorella Bonicelli.

In men's doubles, Raul Ramirez and Brian Gottfried beat Arthur Ashe and Fred Macnair to move into the semifinals.

Bjorn Borg and Argentina's Guillermo Vilas favored to advance toward a clash in the final on Sunday.

Borg, who celebrated his 22nd birthday yesterday with a 6-2, 6-4, 7-6 victory over Roscoe Tanner, has been playing splendid clay court tennis here in quest of his third French open title.

Defending champion Vilas did not play impressively in his opening matches in this 14-day competition, but came back aggressively on Monday to defeat Arthur Ashe.

In women's competition, Virginia Ruzici had little

trouble beating Stanislas Birner, 6-1, 6-4, 6-1, yesterday, but he said that he does not feel content with his game and made a disappointed announcement: "I don't think I'm playing well. I'm not very confident. I'm very tired. I'm going to Wimbledon. I'm going home to Rome to rest for two weeks after this is over."

In other matches yesterday, Ramirez downed Victor Pecchi, 6-2, 6-2, 7-6 and Orantes and compatriot Jose Higueras beat Stockton and Eric van Dillen in the doubles quarterfinals, 6-0, 7-5.

In the women's quarterfinals yesterday, defending champion Mima Jausovac beat Kathy May, 6-4, 6-2, and Regina Marsikova downed Helga Masthoff, 6-3, 6-3.

Major League Standings

NATIONAL LEAGUE												
EAST		WEST		AMERICAN LEAGUE		NATIONAL LEAGUE		AMERICAN LEAGUE				
W	L	Pct.	GB	W	L	Pct.	GB	W	L	Pct.	GB	
Chicago	27	24	.520	543	24	27	.481	1/2	Calif.	27	.520	543
Philadelphia	27	24	.520	543	24	27	.481	1/2	Montreal	27	.520	543
Montreal	27	24	.520	543	24	27	.481	1/2	New York	27	.520	543
New York	27	24	.520	543	24	27	.481	1/2	Pittsburgh	27	.520	543
Pittsburgh	27	24	.520	543	24	27	.481	1/2	St. Louis	27	.520	543
St. Louis	27	24	.520	543	24	27	.481	1/2	—	27	.520	543
—	—	—	—	—	—	—	—	—	—	—	—	
WEST	27	24	.520	543	24	27	.481	1/2	AMERICAN LEAGUE	27	.520	543
San Francisco	32	19	.620	—	32	19	.620	—	Chicago	32	.620	—
San Francisco	32	19	.620	—	32	19	.620	—	Chi. 3	32	.620	—
San Diego	28	34	.438	49	28	34	.438	49	Chi. 3	28	.438	49
San Diego	28	34	.438	49	28	34	.438	49	Chi. 3	28	.438	49
Atlanta	22	37	.395	61	22	37	.395	61	Chi. 3	22	.395	61
Atlanta	22	37	.395	61	22	37	.395	61	Chi. 3	22	.395	61
Tuesday's Games	—	—	—	—	—	—	—	—	Wednesday's Games	—	—	—
Chicago 4, Houston 4	—	—	—	—	—	—	—	—	Calif. 3, Cleveland 3	—	—	—
Chi. 4, Houston 4	—	—	—	—	—	—	—	—	Chi. 4, Cleveland 3	—	—	—
Houston 4, Chi. 4	—	—	—	—	—	—	—	—	Chi. 4, Cleveland 3	—	—	—
Chi. 4, Houston 4	—											



Economy

State on Spending Spree For Development Plan

CARACAS (IHT)—Venezuela, which became rich practically overnight when oil prices rose spectacularly in 1973, has been spending its money nearly as rapidly as it got it and has gone into debt. The country has not, however, necessarily squandered its wealth.

In the whole, Venezuela has been spending its money in a responsible fashion and has gone into debt for sound business reasons. Early, the country has become—and will continue to counter—serious problems in efficiently administering its abundant surpluses. But despite prudential delays, waste and flaws in government's economic program, Venezuela is unmistakably going ahead.

The administration of President **Andrés Pérez**, sworn in at start of 1974, inherited theanza produced by the decision made a few months earlier by the Organization of Petroleum Exporting Countries (OPEC) to raise oil prices. Even though Mr. Pérez and his advisers ordered cutbacks in oil production their first year in office, they saw the government's oil revenues more than double. The central government got that first year rose to 42.5 billion bolívares (\$9.89 billion), up from the previous year's 14.8 billion.

In the 1974-77 period, the Pérez administration spent over 177 billion bolívares, far more than total spending by all Venezuelan governments from 1963-73. Like other EC members, Venezuela decided to spend heavily on social services and a major industrial program; unlike some of its oil-producing partners, though, the country did not make colossal outlays on arms.

The Pérez administration's funding scheme is guided by a National Plan for Social and Economic Development, a bulky document published in 1976 calling for government investments of \$8 billion in bolívares between 1976-80.

(Continued on Page 2)

Nationalization of Oil Sector Has Been a Resounding Success

CARACAS (IHT)—Venezuela's petroleum industry—under full government control for over two years—continues to function as the most efficient, profitable and significant sector of the national economy.

Last year the nation produced 816.1 million barrels of crude oil, an average of 2.24 million barrels per day (bpd), and exported crude and refined products totaling 736.9 million barrels, or a daily average of 2.02 million barrels. These figures are down slightly from levels registered in 1976, and are far below the output and sales of big Middle East producers like Saudi Arabia and Iran, but they nonetheless rank Venezuela as one of the world's major oil exporters and the largest in Latin America.

This year crude production has averaged 1.9 million bpd, off 14 percent from the government's goal of 2.2 million bpd. If this trend continues, the government will have to cope with a substantial drop in its revenues—most of which come from petroleum exports. However, government spokesmen are confident that demand will recover and that the industry will be able to reach a point near its production target by the end of the year. In any case, the Cabinet has already ordered spending cuts totaling more than 2 billion bolívares (\$465 million) in the government budget, which is now 32.6 billion bolívares.

Most of Venezuela's petroleum exports have traditionally been sold to the United States, and this situation has remained unchanged since nationalization. The East Coast of the United States purchases the lion's share of Venezuelan oil in the form of crude or residual fuel oils.

Government figures show that 34 percent of total Venezuelan oil sold abroad goes directly to U.S. markets, while 11 percent is shipped to Canada and 34 percent to the Caribbean. (Most of the oil sold in the Caribbean goes to Exxon and Shell refineries in the Dutch Antilles where it is processed and reshipped to American customers.) Central and South America buy about 8 percent of the country's petroleum exports while 11 percent is sold in Europe.

Total Income

The state holding company responsible for running Venezuela's nationalized oil industry—Petroles de Venezuela—reported that total income last year in the oil sector amounted to 41.3 billion bolívares with 39.5 billion bolívares derived from export sales. The state oil monopoly paid the treasury over 26 billion bolívares in taxes and royalties last year and reported net income of approximately 3 billion bolívares for itself. These results were considered satisfactory by in-

This Section

This special report was prepared and written by Joseph Mann with Keith Grant and Monte K. Hayes.

The current value of the bolívar is 4.3 to the dollar.

(Continued on Page 8)

INTERNATIONAL
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Focus on Venezuela—1978

Electing a President Freely for the Sixth Time

By Joseph Mann

CARACAS (IHT)—The overwhelming issue in Venezuela today is politics. Whether the average Venezuelan really cares or not, he is finding out that the 1978 presidential campaign is everywhere.

Newspapers, magazines, television and movie theaters bombard the public with images of concerned candidates trekking through endless slum cities covering the capital's hillsides, or of angry candidates telling mass rallies how they will solve the country's problems or of sweating candidates jovially shaking hands with peasants in forgotten rural villages. If a citizen somehow has managed to elude all this, he is certain to encounter a spirited neighborhood rally, auto caravans honking and blaring their messages over loudspeakers, a tree or lightpost wearing a campaign poster or a wall converted to a blackboard for political slogans.

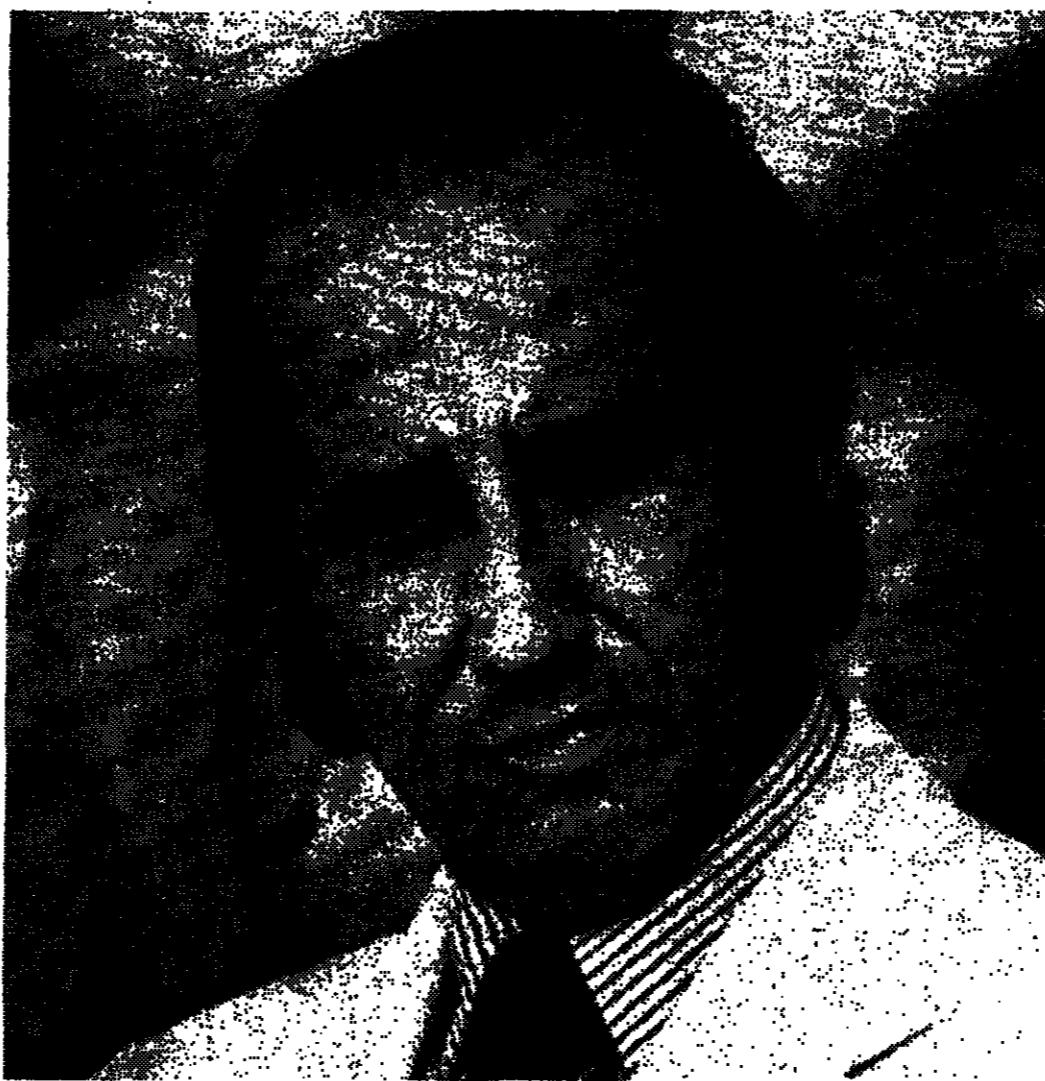
This ride of speeches, verbal attacks, promised meetings and trips to nearly every corner of the nation populated by voters will reach its climax later this year when several million Venezuelans go to the polls to choose a new president, more than 200 members of the Senate and Chamber of Deputies, plus state and local representatives. Under current legislation, all of these officials will be elected in early December and will start five-year terms next March.

Free Elections

The Venezuelan campaign should not be snuffed at as yet another example of wild and probably corrupt tropical politics. On the contrary, Venezuelan democracy—despite its flaws—is a rare and open exercise in free elections. This noisy, rough, costly and enthusiastic campaign represents part of a recurring effort to demonstrate that not all Latin Americans need dictators to manage their affairs. However, this has not always been the case in Venezuela.

By chance, this electoral year marks the 20th anniversary of the overthrow of Venezuela's last dictator, Gen. Marcos Pérez Jiménez. December's voting will be the sixth time that Venezuelans have had an opportunity to choose a president.

In 1947, the nation's first general elections were held and novelist Romulo Gallegos, representing the Democratic Action party, won the presidency. The Gallegos administration, however, was toppled the following year by a military coup, one of whose leaders was Gen. Pérez Jiménez. After sharing power



President Carlos Andres Pérez.

with fellow officers for two years, Gen. Pérez Jiménez assumed full control of the government and initiated an eight-year authoritarian regime that ranks as one of the cruelest and most corrupt in modern Latin American history.

The government of Gen. Pérez Jiménez, whose principal claim to fame was an extensive system of public works, was ousted by a civil-military revolt in January 1958. A ruling junta composed of civilians and military men took over temporarily, then called elections in which Romulo Betancourt of the Democratic Action party (AD) was chosen president.

Under the current government, headed by President Carlos Andres Pérez Rodríguez, it has been clear that the Venezuelan military is in-

tent on supporting civilian regimes. Far from presenting a threat to the current system, Venezuela's armed forces are working to ensure that this year's elections are carried out smoothly and efficiently.

In the current campaign, the nine presidential hopefuls who have declared themselves thus far are vying to head one of the most prosperous and dynamic nations in Latin America. Since the Organization of Petroleum Exporting Countries (OPEC) increased oil prices four-fold in 1973, the Venezuelan government, which obtains most of its income from taxes on petroleum exports, has garnered tens of billions of bolívares in new resources.

The two most powerful political groups in Venezuela for the past

two decades have been the Democratic Action party, which won the presidency in 1958, 1963 and 1973, and the Social Christian party (COPEI), which captured the presidential palace in 1967 but failed to win a majority in Congress. Although any president in Venezuela wields tremendous power, a majority opposition in the national legislature can effectively limit his action.

AD's candidate this year for the chief executive's job is Deputy Luis Pérez Ordaz, a member of the Lower House of Congress, secretary general of his party and lifetime party worker. Mr. Pérez has served as acting president, minister of the interior, head of the National Agrarian Institute (IAN) and governor of Monagas state. Born in

eastern Venezuela in 1925, the AD standard-bearer has been attacked by critics as being a dour and dull product of the party machinery. Thus far during the campaign, however, Mr. Pérez has stressed that he will choose the most qualified individuals to serve in his government, regardless of party affiliations.

Representing COPEI is a long-time party member, Sen. Luis Herrera Campins, also born in 1925. Mr. Herrera's enemies charge that he lacks high-level government experience, which is correct, and is therefore not prepared to assume the presidency. Sen. Herrera, who has lived in France and Italy and has worked extensively with Social Christian parties overseas, discards this allegation. For several months last year he was leading the AD candidate in national polls. Recent polls, however, have given Mr. Pérez an advantage over the COPEI contender. But with six months to go before voting time, there is still plenty of space for each candidate to carve out a more substantial position.

The Unaffiliated

In terms of party organization, AD holds the advantage with a registered active membership of about 1.3 million persons and an efficient national party network. COPEI's active membership is estimated to be between 600,000 and 800,000 and the party is working hard to revamp its national system. However, most of the six million Venezuelans eligible to vote this year consider themselves independents, many of them youths voting for the first time. An effective appeal to this large group of unaffiliated electors could swing the results in either direction.

Both candidates have been traveling widely around the country and working long hours on the campaign trail. Although neither of the two "established" parties has as yet presented a formal platform, both contenders have outlined their proposed government programs on many occasions.

Mr. Pérez, although previously critical of the current president's efforts in some areas, pledges a continuation of the present Democratic Action government plans, with particular emphasis on resolving domestic problems such as crime, shortages of food and housing, agricultural insufficiencies and on mounting a crackdown on corruption in government.

Sen. Herrera, who also offers voters a comprehensive plan of

public works, has fiercely attacked the present AD regime for spending more money than any government in history, while failing to resolve major national problems. He has cited the almost monthly "crises" afflicting the administration of President Pérez, such as severe water shortages in the capital and other large cities, power shortages, a lack of foods like milk, eggs, meat, chicken and coffee, higher prices and the chronic insufficiencies of other public services.

Problems

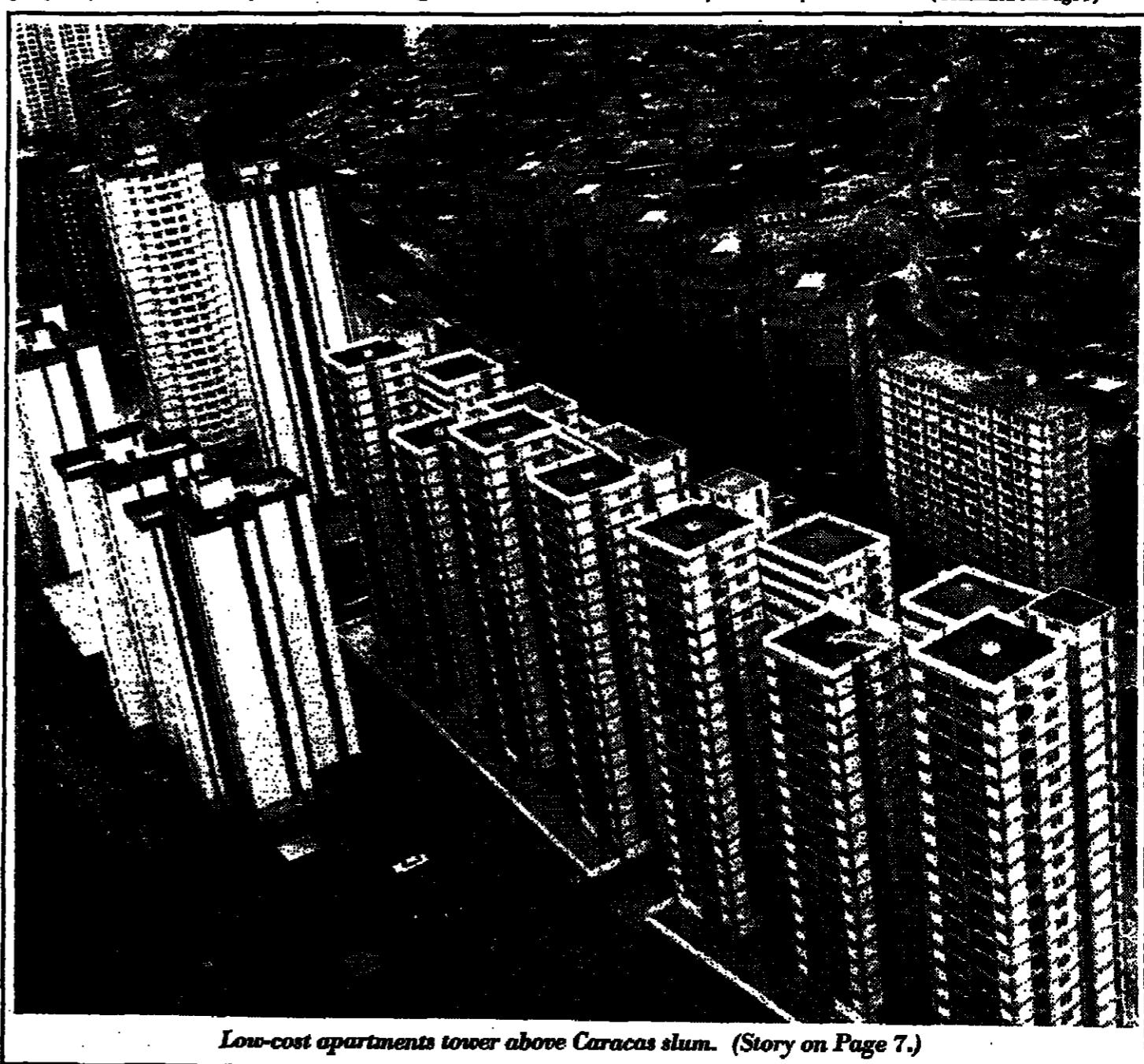
The AD campaign has received an important boost from President Pérez, who recently initiated a major public program calling attention to the achievements of his administration. Mr. Pérez took office in 1974, just in time to reap the benefits of the petroleum bonanza. Although incumbent chief executives are expected to remain outside ongoing political frays, it is clear that the Pérez administration's publicity blitz will not hurt AD's chances in December. Responding to charges of foul play from the opposition, Mr. Pérez maintains that he will not take part in the campaign but will continue to do his job as president.

In spite of the great financial advantages enjoyed by the Pérez administration, the government has indeed been plagued by problems resulting from its own erroneous judgments and inefficiencies as well as from the difficulties presented by a massive surge in national demand for goods and services that began in 1974 and that could not be met by domestic productive capacity. Even unprecedented official spending could not fill all the gaps.

As many critics note, the president's admirable taste for hard work has produced relatively meager results. The problem, they say, is that Mr. Pérez is too much of an authoritarian, too convinced that he can and should attend to all matters by himself. One former Cabinet minister said privately, "I think his biggest failure is his inability to develop good managers at the Cabinet level, ministers who can make sure that things get done. No matter how smart or energetic the president is, he simply can't do everything by himself. He must learn to delegate authority."

Nonetheless, Mr. Pérez's place in history is assured as a result of his government's successful nationalization of the \$5-billion foreign-owned petroleum industry, and his

(Continued on Page 9)



Low-cost apartments tower above Caracas slum. (Story on Page 7.)

Strict Government Policies Keep Foreign Investment Low.

CARACAS (IHT)—Foreign investment in Venezuela, which entered the country at an estimated rate of \$100-\$200 million per year in the late 1960s and early 1970s, has shown a considerable slump since 1974. Private sector estimates put capital influx over the past four years at an average of \$50 million per annum.

Although hosts of potential new investors have been attracted by the country's rapid economic growth since oil prices rose in 1974, enthusiasm has cooled rapidly on exposure to the government's strict policies regulating foreign capital.

Even foreign investors already working in the country have often been reluctant—or unable—to put new money into their enterprises.

Upon taking office in 1974, President Carlos Andres Perez's administration assumed a serious attitude toward regulations on foreign capital drawn up by the Andean Common Market, a regional integration association made up of Bolivia, Colombia, Ecuador, Peru and Venezuela. Under terms of the Andean Pact's Decision 24, restrictions are placed on foreign investment, private borrowing from abroad and technology transfers. All new foreign investment must be approved by the government (in this case the Superintendence of Foreign Investment—SIEEX), and foreign capital outlays are either banned in certain economic areas or restricted to minority holdings.

Cooperation Basis

In a speech in 1975, President

Perez made the following comment: "Foreign investors who wish to continue profiting from our economy will have to operate on the basis of cooperation, understanding and accepting the rules of the game formulated; sharing the burdens and fulfilling the requirements of national development."

The Perez government's attitude was not xenophobic nor was it overtly opposed to new investment. On the contrary, Venezuelan leaders realized that they needed a constant flow of new foreign technology to complement their own internal development. But the president and his advisers believed that foreign capital had caused distortions in underdeveloped economies in the past, due to the fact that it was generally unregulated and often did not conform to developmental priorities set by governments in the

countries where investments were made. At the same time, the Perez administration saw the Andean Common Market's code on foreign investment as a convenient vehicle for setting guidelines in Venezuela and furthering the cause of regional economic integration.

It should not be forgotten, however, that the newly installed Perez government, feeling flush because of its unprecedented influx of petroleum riches in 1974, also felt that foreign investment simply was not needed as much as before, now that the Venezuelan state had ac-

cess to seemingly limitless arms of money from its petroleum sports. "The theory seems to have been," one foreign businessman said, "that the government could squeeze foreign investors as never before, getting them to toe the official line whether they liked it or not. After all, a lot of foreign businessmen were drooling to get a piece of the action after the oil bonanza began, and the Venezuelans knew they could afford to wait."

These elements, combined with the seemingly endless red tape and mountains of regulations produced

by SIEEX, created an atmosphere that kept away a large number of non-Venezuelans who otherwise might have invested here, thus satisfying domestic market needs, creating new jobs and aiding the country's currently ailing balance of payments.

John Pate, a U.S. citizen who serves as a consultant to foreign investors in the Venezuelan capital, commented: "The country has lost out considerably by discouraging foreign investment. Given the country's excellent economic circumstances over the last four years,

Venezuela has probably lost around \$200 to \$500 million a year in new investment, plus there has been no new inflow of technology. Comparing our performance [attracting new investors] to economies of countries like Chile and Argentina," he added, "you can see the country has lost abundant sums of capital and technology."

Nationalizations

Visitors often question the government's nationalization of foreign oil companies and iron-ore mining companies here in 1975 and

1976, asking whether these takeovers signify a basic negative attitude toward foreign investors. The questions of oil and iron ore are another matter, however. The government, after deciding it would assume control over these basic industries to ensure its own future development, held lengthy negotiations with the affected companies and paid indemnities totaling about \$1.14 billion to the concerns involved. In both cases, the takeovers were carried out in a businesslike manner (even though the nationalized firms were obviously

not delighted by the move), and the parent companies continued to provide Venezuelans with technical assistance after the transitions.

One incident last year, however, did leave a bitter taste in the mouths of many foreigners. Following the kidnapping of the manager of Owens-Illinois de Venezuela, a U.S. glass manufacturing firm, the government expropriated Owens' assets here. The move was prompted by the U.S. firm's efforts to negotiate with Venezuelan terrorists holding a U.S. citizen, William Neihou. Administration offi-

cials stated that government policy forbade negotiating with extremists in cases such as this and moved to take over the company.

In terms of foreign investment policy, the Perez government maintains that it is eager to permit new capital to enter the country, as long as investment regulations are followed. (Ironically, other members of the Andean Pact have been considerably less stringent in enforcing these rules.) In fact, the government has shown signs of easing its requirements. Over the past year or so, SIEEX has raised the limit on profit remittance from 14 to 20 percent, lifted the ceiling on reinvestment from 5 to 7 percent, eased some credit facilities and opened new areas to foreign participation.

Increase

Last year, SIEEX's authorizations for new foreign investments totaled \$216.5 million, a significant increase from \$50.8 million in 1976 and \$40.9 million the year before.

Switzerland took the largest bite of this total with 52.6 percent (Alusuisse will build an alumina plant in the Guyana industrial region), while the Spanish came in second with 27 percent (Spanish firms won contracts for building shipyards and a plant for diesel engines and heavy trucks).

The United States, which accounts for 56 percent of all foreign investment here, only took 10.6 percent of last year's figure. With around 2,000 foreign firms and investors (some of whom are individuals with small holdings) and with registered foreign investment estimated by the government to be at \$1.5 billion, Venezuela still ranks as an important target for foreign capital. Before current or future investors increase their stakes in the country, however, they want to see investment regulations relaxed, simplified and made consistent. "The Venezuelans have watched a lot of foreign money go to other parts of Latin America recently, and up to now it hasn't mattered to the government at all that much," one U.S. executive said. "In their early years they had more money than they could spend. Now things are getting tight, and the next government will be facing a totally different panorama. I think most of us are just waiting it out, hoping that the next administration takes a less rigid attitude."

J.M.

While Putting a Liquidity Squeeze on Banks

By Keith Grant

CARACAS (IHT)—Venezuela's generally thriving banking and financial system has in the last year or so unexpectedly found itself face to face with a government determined to redirect credit towards socially desirable projects.

A sky-is-the-limit attitude prevailed following the oil price hikes, which enabled outstanding bank credits to jump from 13.2 billion bolivars (\$3.07 billion) at the end of 1973 to 47 billion bolivars by February 1978. But the bank's liquidity has been a two-sided coin:

Although more money has been made available for industry and agriculture, it has helped fuel chronic real estate inflation and a huge consumer spending spree.

The government first took steps to curb money supply growth, and thereby inflation, with an economic package in April 1976. Legal reserve requirements on banks were reduced to 50 percent on official deposits; and, at the same time, credit granted by the 13 mortgage banks (*bancos hipotecarios*) and 30 finance companies (*sociiedades financieras*) was redirected so as to encourage more lower and middle-income housing.

The 12 months following proved that the dose of austerity was not enough since money supply once more began to take off and real estate values in Caracas were some 300 percent above those of only three or four years previously. President Carlos Andres Perez took action by announcing last July a much more severe austerity package, slapping an extra 25 percent

on legal reserve requirements, imposing a reserve for *fincieras* on foreign currency demand and time deposits of between 35 and 42 percent, and intensifying regulations obliging more credit for cheaper housing.

There followed a war of nerves when the private sector, almost unanimously complained of bank credit drying up because of the liquidity squeeze, and whislers of recession and capital flight began to be heard. The powerful business organization Fedecámaras and its members in the Venezuelan Banking Association defended their interests convincingly by pointing out that much of the private sector's shortage of cash was due to tardy government payments on official projects.

At first refusing to contemplate changing the measures, the government finally gave in and in October began offering generous discount facilities to banks short of cash. Subsequently the deadline for complying with the new 75-percent reserve requirement was postponed from December to February.

Measures Relaxed

The government said it was relaxing the measures because they had had the desired effect, and certainly monetary liquidity was held at 58 billion bolivars for four months and inflation was checked. Nonetheless, the banks remain unhappy this year over liquidity levels and once again the central bank has expanded rediscount facilities and also agreed to forgo the last percentage increment if banks' le-

gal reserve requirement. To ensure that funds keep flowing to private construction, it has also taken steps to support the market for mortgage and financial bonds, which are a principal source of finance for these institutions.

The apparent upheaval caused by the government measures, according to many bankers here, reflects an unwillingness to adapt among the top banking hierarchy. Despite having seen their combined deposits shoot up from 16.7 billion bolivars at end 1973 to 54.6 billion bolivars at the end of January, the 35 commercial banks are generally conservative and relatively unsophisticated. "As long as profits keep coming in (and last year they rose from 606 million bolivars to 757 million bolivars) no reason is seen for diversifying operations," one foreign financier commented.

Venezuelan banks are dominated by a group of five or so—Banco Nacional de Descuento, Banco de Venezuela, Banco Union, Banco Mercantil y Agrícola and Banco Latino—which account for about half of combined deposits. Housing and construction loans are normally handled by mortgage banks and finance companies, the second of which also grant longer term industrial loans (5 to 15 years). Bank deposit and lending rates are both fixed by law, which means normal market forces of supply and demand do not affect, nor are they affected by, interest rate considerations.

According to some bankers here, the lack of a substantial money market to channel funds from liquid sources to non-liquid ones was

one reason for the liquidity crisis last year. Nonetheless, an embryonic money market along the lines of North American and European financial centers has come into being with a number of banks and finance companies setting up money desks. About a dozen have been set up in the last three or four years dealing exclusively in short-term money and paper, making a commission for trading on behalf of clients in corporate or financial organizations. Volume is estimated at some \$200 million a week. But few people even in the financial world seem to understand what they are offering and some, indeed, appear to have been set up merely as status symbols, according to Juan Rada, manager of the Sociedad Financiera Union money desk.

The local capital market, despite efforts to widen its base, is at present of little interest to the wider investing public and the Caracas Stock Exchange itself turns over a minuscule \$250 million a year. The capital markets law of 1975, which gives tax incentives to companies that offer at least 50 percent of their stock to the public, has so far had only limited success in attracting either companies or small investors to the stock market.

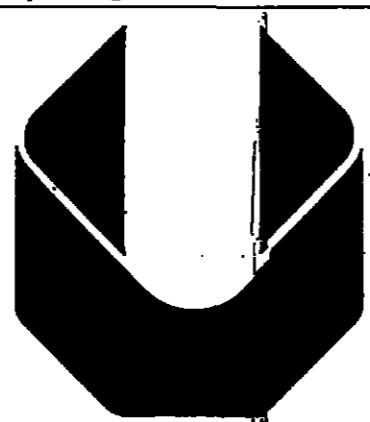
In Drosses

Soon after oil prices quadrupled and the Venezuelan Investment Fund was created to invest surplus petrodollars abroad, foreign financiers came in droves to advise on how to invest the windfall or how to set up an offshore investment

center to rival Panama. They were disappointed because the government decided instead to concentrate on channelling most of the wealth to national development programs. Apart from a few isolated bond issues here for the Banco de Peru and the Banco Centro Americano de Integración Económica, which were of a regional cooperation nature, Caracas has not become an international financial center.

Nonetheless, some 85 international banks from the United States, Europe and Japan have representative offices here doing good business in lending short-term to the government and private sector. Foreign banks are limited, however, by the 1975 banking law, which restricts their participation to 20 percent in any local institution offering full banking services. This left already existing banks like First National City Bank, Chase Manhattan, Credit Lyonnais, Royal Bank of Canada, Lloyds Bank and others with the choice of full control with less scope or vice-versa. All except Citibank opted for the latter and have in any case retained significant influence in the policy of the "host" bank (Chase's in Banco Mercantil, Credit Lyonnais in Banco Provincial, Royal Bank in Banco Royal and Lloyds in Banco del Centro Consolidado).

Significantly, a lot of the banking initiatives are taking place overseas, and financial sophistication at home will probably come only very slowly. Despite the tremendous liquidity boost caused by the oil boom, what goes up must come down and the financial system as a whole is likely to have to concentrate on adjusting to tighter conditions over the next few years.

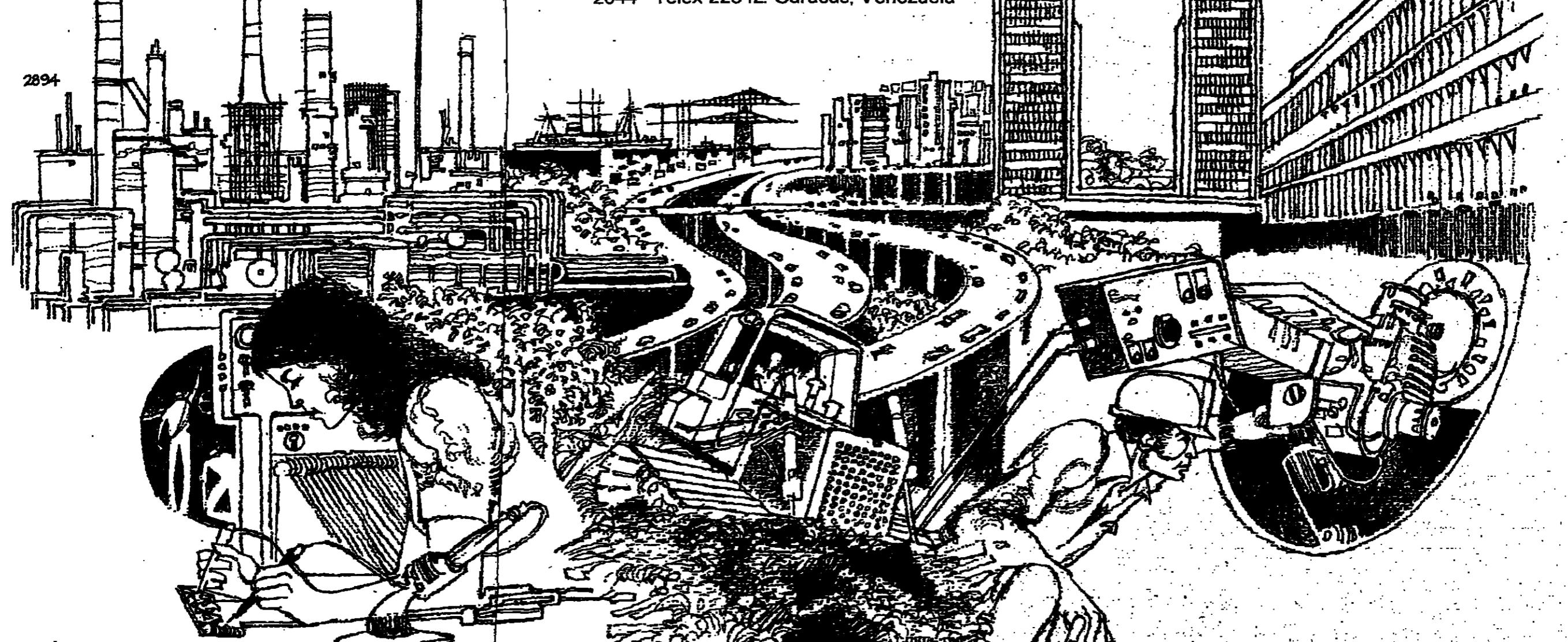


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مكتبة من المجلة

Tourism: Something to Offer but Lacking in Infrastructure

CARACAS (IHT)—A country with a warm, sunny climate, hundreds of miles of beaches along the Caribbean, snow-capped mountains in the Andes dotted with picturesque villages and wild but accessible South American jungles certainly has something to offer foreign tourists. Venezuela has all these elements—and more—but in

recent years has done next to nothing to encourage international tourism.

At a time when Latin American and Caribbean countries are competing as never before for leisure trade from the United States and Europe, Venezuela has virtually ignored the potential benefits of international tourism. Since the pe-

roleum boom began here in 1974, the country's leaders have generally believed that luring tourist dollars, marks, francs and pounds to Venezuela was not terribly important. Instead, the government of President Carlos Andres Perez has concentrated its outlays for tourism on projects such as improved beaches and bathhouse facilities, and low-

cost resort areas and hotels strictly intended for domestic tourism.

The results of this policy are painfully apparent to international travelers coming to Venezuela. The country's principal airport—called either Maiquetia or Simon Bolívar—becomes a study in chaos whenever more than two international arrivals or departures occur at the same hour.

Fights, shoving matches and exchanges of insults in Spanish and English are hardly uncommon as passengers desperately try to hold their places in the disorganized queues that form around airline ticket counters. During peak travel seasons, international and domestic flights are frequently overbooked and national airlines have become notorious for late arrivals, mysteriously cancelled flights and early departures that leave passengers stranded in the Venezuelan out-

back.

Better hotels in all the major cities are hopelessly overbooked almost year-round. Many visitors to Caracas—whether businessmen or tourists—are greeted at hotel reception desks by surly employees who claim that their confirmed reservations never existed and that lodgings will not be available for several days.

Although Caracas is located in a spectacular valley about 3,000 feet above sea level, its traffic jams are hellish and its areas of tourist interest limited. (Probably the most popular tourist attraction—a cable car from Caracas to the top of Pico Avila 7,020 feet above sea level—has been out of order since last year and is not expected to be in operation again until the end of 1979.) While many examples of delightful Spanish colonial architecture are still standing outside the capital, Caracas' city fathers have permitted uncontrolled urban sprawl, which has wiped out most of the city's colonial zones and replaced them with glass and concrete office towers and high-rise apartment buildings.

Right Conditions

Tourism promoters and hotel executives, however, see good possibilities for developing a profitable tourist industry in Venezuela, given the right conditions. "We have a lot to offer the leisure traveler," a young executive at the Hotel

population growing by around 3 percent per year, domestic food demand has been increasing rapidly. Much of the increased buying power attained by Venezuela in recent years has been channeled to food purchases; even poor Venezuelans are now eating—if not better—at least more than before.

In spite of last year's good harvests, food imports, especially of beef, wheat and other popular food items, will clearly continue.

As 1978 is an election year, it is

hardly likely that the government will allow shortages of popular food items to go unnoticed, regardless of the cost to the Treasury.

At present, it is hard to say how well the government's agricultural program is progressing. Are improvements in production due to real increases in efficiency that will provide long-term results, or simply due to the sheer volume of government funds being poured into the sector? President Perez has admitted that his government's agricultural plans have suffered some setbacks, but he pointed to last year's harvest figures and predicted that the real benefits of his administration's efforts would be visible only after he left office.

There have been some successes, some dismal failures, a great deal of wasted money and energy, slow starts and the unpredictable difficulties posed by the bugbear of all farmers—bad weather. But huge expenditures have been made in infrastructure, agricultural credit and other areas that will clearly benefit Venezuelan farmers and cattlemen. If Venezuela's food import bills shrink during the early 1980s, then members of the Perez government can boast that their efforts were not inconsequential.

—J.M.

Right Conditions

Tourism promoters and hotel

executives, however, see good possibilities for developing a profitable tourist industry in Venezuela, given the right conditions. "We have a lot to offer the leisure traveler," a young executive at the Hotel



Cable car from the city of Merida to the top of Pico Espejo, 4,836 meters above sea level.

Tamanaco said. "But a tourist infrastructure has to be built before we can begin promoting Venezuela seriously."

"The main problem is that the government hasn't taken the tourist trade seriously up to now. Very few international grade hotels have been built during the last few years, and these are not sufficient to satisfy demand," he added. "And most of the projects being done by the private sector are aimed at Venezuelans who want a second house in the country or a beach club."

According to government figures, 997,783 persons visited Venezuela last year. Of these, 652,423 were tourists, 307,069 came on cruise ships that stop here for no more than 48 hours and 38,291 were passengers in transit to other points.

A hefty proportion of the tourist category includes businessmen who came to Venezuela for a short period of time and opted not to cut through the red tape required in obtaining a transient or resident visa, and immigrants who hope to obtain work permits either through legal or illegal means.

The number of tourists has been steadily on the rise since 1970, but little has been done in recent years to accommodate the increasing numbers of visitors. During the boom days of 1974-75, when Venezuela's leaders were deciding how to spend billions of bolivars in new revenues, tourism was assigned a very low priority. Government thinking essentially that emphasis should be placed on industrial and agricultural development.

While international tourism provided significant foreign-exchange income for other neighboring countries, Venezuela did not at the time need more revenue. And some politicians did not want to "ruin" parts of Venezuela by attracting an excess quantity of foreigners as other countries had done.

Obviously, some countries have overseen tourism developments," the Hotel Tamanaco executive asserted. "In this kind of thing can be done intelligently so as not to damage the environment. The government seems to be forgetting that a well-developed tourist industry not only brings in foreign exchange, but also provides thou-

sands of service jobs for untrained workers.

"We don't have the colonial charm or ruins that Mexico and Peru can offer," he said. However, Venezuela has its own strengths and natural attractions. In addition, the capital is only four and a half hours from New York. "Take the beaches, for example. This would be a logical place for Americans to visit in the winter. But the best beaches are miles away from Caracas and there aren't many good hotels available to foreign tourists."

While some improvements are in sight for tourists, it is unlikely that basic problems like overcrowded hotels and limited tourist facilities outside the capital will be overcome in the near future. Plans are now being made for new hotels and expansions in a number of areas, but these new rooms will not be sufficient to fill even current needs, according to tourism specialists. At the same time, the government is pushing to open a giant, new air terminal for Caracas alongside existing facilities. Whether this will



The Guri Dam currently being extended by 84 metres.

The C.A.V.N. has now taken delivery of 8 of the 18 ships on order. The remaining two will be delivered this year.

5.2 CORPORACION VENEZOLANA DE INDUSTRIAS AERONAUTICA (CORPAVENCIA)

Objectives: Promotion, creation and development of companies involved with Venezuelan aviation.

Financing: The FIV has an equity shareholding of US \$2.33 million. A company called VENEMAICA has already been formed and is actively engaged in rebuilding engines.

6 Storage

6.1 NATIONAL SILO PROGRAMME, STAGES I AND II

Objectives: Increase in storage capacity for cereals, leguminous and oleaginous products to 440,000 tonnes. This project is being carried out in two stages.

Financing: The FIV is providing a total loan for the two stages of US \$68,677,826.61.

The first stage has been completed, and the 9 stations included in it are now ready to receive grain. The second stage is 95% finished and is expected to be put into service this year. The FIV has received two repayments of the loan for the first stage and one repayment of the loan for the second stage.

6.7 Mining

7.1 COMPAÑIA GENERAL DE MINERIA DE VENEZUELA C.A. (MINERVER)

Objectives: Exploitation of the Colombia gold mine in the State of Bolívar to attain an average monthly output of 42 kg of gold.

Financing: The FIV has an equity investment of US \$23,179,965.00 (amounting to 99.5% of the total share capital) and has provided a loan of US \$9,381,579. The project is currently in progress.

Other projects under consideration: Projects currently in progress are the Minerve I line, the Treatment Plant, infrastructure works and the Electromechanical Unit.

7.2 VENORCA

Objectives: Processing gold ore extracted at El Ojito.

Financing: The FIV has so far paid US \$582,411.0. The company is now in operation, and in 1977 processed 57,611.8 tonnes of gold ore.

Other projects under consideration: The Zulia Steelworks in its initial stage is to produce 1,200,000 tonnes p.a. of liquid steel, and its cost is estimated at US \$488.5 million.

The Aranave project involves building a blast furnace at Puerto Ordaz, State of Bolívar, capable of producing 50,000 tonnes p.a. of pig iron.

The Compañía Nacional de Reforestación (CONADER) presented the FIV with a reforestation project for industrial purposes. Such project involves planting 302,000 Ha. with eucalyptus and Caribbean pine in the southern part of the States of Anzoátegui, Mónagas and Bolívar.

The Forestal del Orinoco C.A. (FORESTOR) project involves planting an area of 60,000 Ha. with eucalyptus on the Mesa de las Hachas, south of the Monchique Largo River in the State of Anzoátegui.

The Celulosa del Orinoco C.A. (CELULOR) project entails building a factory in the south of the State of Anzoátegui with a production capacity of 300 thousand tonnes a year paper pulp.

The Guasire Coal project, which is being promoted by the Zulia Steel Corporation, involves the exploitation of extensive coal deposits in the area.

The Compañía Anónima Minera de Naricual (AMINA) proposes to achieve an output of 92,000 tonnes p.a. of crude coal, from which would be obtained 600,000 tonnes p.a. of washed coal and 64,680 tonnes p.a. of middlings (by-products of washed coal).

Boreholes and preliminary analyses of the bauxite deposits in the Pijiguao, State of Bolívar, indicate that the reserves and quality of ore are very favourable for mining.

Other aspects: Apart from work carried out in the context of national and international programmes, the Fund has actively worked to conserve and increase the amount of funds allocated to it. To this end, through the International Finance Authorities, it has made placements and investments abroad in the short, medium and long terms based on different profitability criteria and depending on the characteristics and opportunities existing for each type of transaction.

International Programmes: During its existence, the Fund has built up a functional structure enabling it to efficiently fulfil the objectives assigned to it by Law. In this respect, special attention should be given to the qualifications of its technical staff and to the links that have been established with major finance institutions throughout the world.

International Co-operation: Since 1974, Venezuela has implemented an extensive policy of international financial co-operation to fulfil, in general terms, the following objectives: promotion of international solidarity with developing countries with a view to protecting the prices of raw materials; assistance to increase the production capacity of Latin American countries; stimulation of economic integration at the regional and sub-regional levels; promotion of trade between Venezuela and the other nations of the continent; and contribution towards creating a new, fairer and more equitable international economic situation.

International Economic Co-operation: A written objective in the Constitution of the Republic of Venezuela. Financial aid allocated by Venezuela through various multilateral and bilateral programmes for 1974 to 1977 amounted to US \$4,320 million, and US \$2,708 million were disbursed in the same period. If these figures are applied to the gross domestic product, they represent percentages many times greater than those corresponding to the financial aid provided in the same period by the major industrialised nations.

International Financial Co-operation: The FIV has been one of the principal instruments through which international financial co-operation has been made possible. In fact, the FIV has been the vehicle through which 45% of the allocations and 58% of the disbursements made by Venezuela have been channelled (see Table No. 4).

From 1974 to 1977, multinational programmes accounted for 59% of the Fund's total transactions and 41% of the bilateral ones (see Table No. 5). The former have been implemented through international institutions of acknowledged standing, and the latter through the central banks of the countries concerned, whose solvency and prompt settlement of obligations has always been satisfactory. In such transactions, consideration has also been given to the need to strengthen Venezuela's economic links with the beneficiary countries and to give them assistance in dealing with temporary situations affecting their economies. In addition, project financing granted by

the FIV to various Latin American countries is supported by additional loans provided by other international organisations of acknowledged standing, and operating procedures have been developed with such organisations in order to supervise the projects receiving the financial backing.

Table No. 4 Venezuela: International Financial Co-operation (Period 1974-1977)

	Allocations Millions of US\$	%	Disbursements Millions of US\$	%
1. Multilateral Co-operation	3,299.1	78.4	1,912.8	70.7
1. Venezuelan Investment Fund	1,180.0	27.3	837.0	30.9
2. Other Institutions	2,119.9	49.0	1,075.8	39.8
II. Bilateral Co-operation	1,021.7	23.6	793.4	29.3
1. Venezuelan Investment Fund	838.0	19.3	645.7	29.3
2. Other Institutions	183.7	4.3	147.7	5.4
GRAND TOTAL	4,321.8	100.0	2,706.2	100.0

01 Basic Industries

1.1 SIDERURGICA DEL ORINOCO (SIDOR) PLAN 4

Objectives: The FIV is providing financial aid for the execution of Plan 4 to increase steel production from 1.5 to 5 million tonnes.

Financing: Up to \$11.277, US \$885,730,926.00 as a loan, US \$42,334,589.00 in the form of equity investment share.

This project, which is currently in progress, has provided the FIV with interest on loans amounting to US \$92,294,270.82 and with dividends on preference shares amounting to US \$10,578.97.

1.2 ACERIA ELECTRICA DEL CARONI S.A. (ACELCAR)

Objectives: The construction of a plant with a capacity of 480,000 tonnes of liquid steel for manufacturing semi-finished and finished steel products (ingots, billets, bars and wire) to be used by the mechanical engineering, automotive, oil and other industries.

Financing: Loan of US \$69,889,341.87.

Work is presently being carried out on the basic engineering for this project.

1.3 ALUMINIO DEL CARONI S.A. (ALCASA) STAGE IV

Objectives: To increase aluminum production from 54,000 tonnes a year to 120,000 tonnes.

The following are the main projects which are currently being undertaken with financial aid from the VENEZUELAN INVESTMENT FUND.

02 Transport Industry

5.1 FLOTA MERCANTE C.A.V.N.

Objectives: Expansion and renewal of the fleet by purchasing 10 new vessels at an approximate cost of US \$223.6 million.

Financing: The FIV has an equity investment of US \$93.2 million.

كذا من الأفضل

Ambitious Projects Map Industrial Future Beyond Petroleum

CIUDAD GUAYANA (IHT)—If Venezuela has an industrial future beyond petroleum, the country's traditional source of wealth, this future is now taking shape on the plains around this oppressively hot city in the sparsely populated northeast.

Ciudad Guayana, a boom city on either side of the Orinoco river, takes its name from the region where it is located—the Venezuelan Guayana.

Guayana, which encompasses half of Venezuela's national territory, is a region rich in natural resources such as high-grade iron ore and bauxite, petroleum, gold, diamonds and a staggering potential for hydroelectric power.

The projects in heavy industry being carried out here by the Corporación Venezolana de Guayana (CVG), an immense government development agency responsible for the entire region, are among the most ambitious in all of Latin America. A giant steel mill, aluminum factories that will place Venezuela among the world's largest producers of the metal, a hydroelectric dam ranking among the largest anywhere and a slew of other public and private projects share the dual purpose of establishing a diversified industrial complex for Venezuela and attenuating the nation's traditional dependence on petroleum and imports from the developed world.

The principal Guayana projects and associated infrastructure are expected to cost about 50 billion bolivars (\$11.6 billion) between 1975 and 1980 and even more down the line. They represent the biggest single block of government investment in Venezuela's history, will absorb a preponderate share of the nation's petroleum revenues and will require additional financing from overseas.

If the Guayana experiment proves to be only mildly successful, it will provide tens of thousands of new jobs, save billions of bolivars on imported materials and constitute a great step toward industrialization for this country of 13 million. However, if the Guayana investments, on the whole, turn out to be only slightly unprofitable, the consequences for the national economy could be disastrous. At present, Guayana is in its initial stage of development.

What are the major projects now under way?

The government's master blueprint for developing the Guayana complex, contained in the fifth National Plan for Economic and Social Development, sets out plans for the expansion of existing steel and aluminum facilities, construction of a giant aluminum plant and a factory for producing alumina, enlarging the Guri Hydroelectric complex, expanding the productive capacity of the government's iron-ore mines, building a railroad to connect Ciudad Guayana with central Venezuela and the Caribbean, exploitation of recently discovered bauxite deposits, and a spate of other projects ranging from a tractor factory to a man-made forest of 180,000 Caribbean pines.

State planners expect these developments to generate 56,700 jobs in the Guayana region alone, and Ciudad Guayana is already straining to accommodate the tens of thousands of construction workers, engineers, planners, technicians and outside consultants who have come to the area in recent years. With an annual growth rate now calculated at 11.7 percent, Ciudad Guayana's population will soar from 226,000 in 1976 to some 400,000 by 1980.

New Steel Plant

One of the country's highest-priority industrial projects is the expansion of the state-owned steel manufacturing company in Ciudad Guayana, Siderúrgica del Orinoco, C.A., known by its Spanish initials as Sidor. Sidor currently operates one facility with a capacity of 1.2 million metric tons of liquid steel per annum, and employs a labor force of 12,500. Expansion plans involve the erection of a new plant alongside the old factory, which will raise the company's total liquid steel output to nearly 5 million metric tons per year. Total projected cost for the Sidor expansion has been set at 15.2 billion bolivars, of which 8.4 billion bolivars have already been invested. Local economic analysts, however, expect cost overruns to vary between 10 and 30 percent.

The new Sidor plant will utilize a rect reduction system, electric smelting and continuous casting. In interview, the president of Sidor, Igmar Marshall, noted that the use of this system rather than blast furnaces with oxygen converters means that the Ciudad Guayana works will not be dependent on imported coke and can therefore be entirely self-sufficient. The plant will process iron ore brought from iron deposits into pellets, using strictly supplied by the Orinoco river and water from the Orinoco river. The Sidor executive, who has degrees in mechanical engineering from Columbia University New York and the Universidad Central de Venezuela, noted that the 10,000 million bolivars will be spent on pollution-control equipment at the new installation.

With some 13,000 construction crews currently employed on its expansion—called Plan IV—Sidor is reported to be moving

ahead on schedule. In a recent interview with a Caracas newspaper, however, the steel company president said that there had been a six-month delay on the pellet plant, a key element in the steelworks and the first unit begun under the plan. He attributed the slowdown principally to a scarcity of construction materials. Mr. Marshall added, though, that construction of the other components in the giant steel complex "is being carried out within the time limits set in each contract."

In contrast, Sidor's older facilities—those which are currently producing steel for the national market—have experienced substantial difficulties. A recent press report cited steel industry sources as saying that the state company accumulated losses of around 400 million bolivars last year, a poor indicator after several years of modest but promising profits from the firm.

A spokesman for the company confirmed that Sidor was in the red in 1977, but called the 400-million bolivar figure "exaggerated."

Local analysts say that although Sidor is undoubtedly a sound na-

tional project, the government must overcome numerous problems in technical, service and specialized manpower areas if Plan IV is to be a success.

Electrificación del Caroni, C.A. (Edeca), is another state-owned company responsible for carrying out one of the key projects in Guayana. Edeca now administers the Guri Hydroelectric complex on the Caroni River that was started in 1963. It will spend over 10.5 billion bolivars on raising the dam's generating capacity from the present level of 1.2 million kilowatts to 9 million kilowatts by the end of the next decade. Enlarging the Guri complex will involve constructing a new dam alongside the present one and adding 10 generating units of 610 megawatts each alongside the 10 smaller units now in operation.

Not only does the Guri supply the extensive power needs of the Guayana complex, but it also sends electricity north to Caracas and other Venezuelan cities.

Three aluminum projects are currently under way in the Guayana region. Alcasa (Aluminio del Caro-

ní, S.A.) set up in 1961, is owned jointly by the CVG and Reynolds International. The company has been producing aluminum since 1967 and is now completing the final stage of its expansion. This involves bringing capacity from 50,000 metric tons of aluminum per year to the present installed capacity of 124,000 metric tons. The last stage cost 678 million bolivars.

Alcasa, which exports about half of its production, has seen sales rise steadily over the last three years from 206 million bolivars in 1975 to 292 million bolivars last year. Strikes affected the company's 1977 output, cutting it to 48,000 metric tons, down slightly from the previous year. A company executive said that he expects aluminum production to reach 90,000 tons for 1978 as new conversion units become operational.

Industria Venezolana de Aluminio (Venalum) is the second aluminum facility in the Guayana industrial area. Construction began on the Venalum plant in 1975 and the first aluminum cells are slated to go into operation later this year. Venalum is 80 percent-owned by the CVG, and 20 percent is held by a group of Japanese companies. It will have a full production capacity of 280,000 metric tons a year on completion. Total project costs are estimated at 2.2 billion bolivars and 1.3 billion bolivars have already been spent. Reynolds International of Richmond, Virginia, which designed the plant, is overseeing project development and has signed a five-year operating-management contract with the company's owners. After that period, the plant will be wholly run by Venezuelan personnel and executives. Under a long-term agreement, Venalum will sell 60 percent of its output to Japanese clients.

Working in conjunction with the aluminum plants will be a one-million metric ton-per-year alumina factory called Interalumina. This facility, with CVG holding 85 percent equity and the remainder divided equally between the Swiss aluminum manufacturer Alusuisse and Billiton of the Netherlands, a subsidiary of Royal Dutch Shell, will cost around 3 billion bolivars. It will refine bauxite into white alumina powder that will then be fed to the aluminum producing cells of Alcasa and Venalum. The plant is expected to be in full operation by 1982.

In addition to the fortuitous location of high-grade iron-ore depo-

sits and hydroelectric power close to the Guayana industrial complex, Venezuelan geologists last year gave clear confirmation to the existence of a vast deposit of bauxite in the same part of the country. CVG experts estimate that the deposit at Los Pijiguas contains a minimum of 508 million tons of bauxite.

Plans call for the site to produce three million metric tons a year by 1982, and bauxite ore taken from Los Pijiguas will be shipped by barges down the Orinoco to Inter-

alumina's dock, where it will be processed into alumina powder.

Another important unit in the

Guayana complex is Ferrominera

Orinoco, C.A., a state-owned en-

terprise that has managed all facets

of iron-ore extraction in the region

since 1976. Ferrominera took over

facilities of U.S. Steel and Bethlehem Steel that were nationalized at

the beginning of 1975. Its results so

far have been excellent, although

contractions in world steel produc-

tion have cut the company's foreign

exports in recent years. A company

official said that Ferrominera pro-

duced 12.7 million metric tons of

iron-ore sales of 49 million metric

tons between 1975 and 1977. In

contrast, while U.S. companies

were running the industry in 1972-

74, the Venezuelans received only

1.5 billion bolivars from sales of 65

million metric tons.

devote most of its sales to the state steel manufacturer.

Ferrominera officials point out that since nationalization of the iron ore industry, the government has earned 2.2 billion bolivars from iron-ore sales of 49 million metric tons between 1975 and 1977. In contrast, while U.S. companies were running the industry in 1972-74, the Venezuelans received only 1.5 billion bolivars from sales of 65 million metric tons.

J.M.

Aiding Small Business

CARACAS (IHT)—In concurrence with Venezuela's major industrial projects, most of which are government-owned, the administration of President Carlos Andres Perez has made available hundreds of millions of bolivars in low-interest loans to light and medium industry in the private sector, as well as to small businessmen. The government has elaborated a policy of encouraging new and existing industrial plants to set up shop or relocate in rural areas, thus easing conditions in overcrowded industrial zones in the large cities and offering new jobs to rural Venezuelans.

In order to encourage moves to the hinterlands, the government offers tax incentives and long-term credits from variety of sources, such as the Venezuelan Development Corp. (Corporación Venezolana de Fomento), the Industrial Credit Fund (Fondo de Crédito Industrial) and Corpoindustria—the Corporation for the Development of Small and Medium Industry.

Project Applications

Last year, for example, Corpoindustria approved more than 2,300 project applications for small and medium-sized loans totaling 769 million bolivars. Government planners say that these projects, if carried out, will generate more than 11,000 jobs. Projects vary from the purchase of a car to be used as a taxi, to the construction of factories for making plastic products, shoes, textile goods, processed foods or light machinery.

Thousands of Venezuelans have received loans from Corpoindustria in order to buy cars or passenger vans that are used as taxis or *por puestos*. A *por puesto* is a car or van carrying several passengers along a regular route, either within a city or between different parts of the country. They are a popular alternative to the capital's crowded buses and they take their name from the fact that each person pays for his place (*puesto*).

J.M.

The government's master blueprint for developing the Guayana complex, contained in the fifth National Plan for Economic and Social Development, sets out plans for the expansion of existing steel and aluminum facilities, construction of a giant aluminum plant and a factory for producing alumina, enlarging the Guri Hydroelectric complex, expanding the productive capacity of the government's iron-ore mines, building a railroad to connect Ciudad Guayana with central Venezuela and the Caribbean, exploitation of recently discovered bauxite deposits, and a spate of other projects ranging from a tractor factory to a man-made forest of 180,000 Caribbean pines.

State planners expect these developments to generate 56,700 jobs in the Guayana region alone, and Ciudad Guayana is already straining to accommodate the tens of thousands of construction workers, engineers, planners, technicians and outside consultants who have come to the area in recent years. With an annual growth rate now calculated at 11.7 percent, Ciudad Guayana's population will soar from 226,000 in 1976 to some 400,000 by 1980.

New Steel Plant

One of the country's highest-priority industrial projects is the expansion of the state-owned steel manufacturing company in Ciudad Guayana, Siderúrgica del Orinoco, C.A., known by its Spanish initials as Sidor. Sidor currently operates one facility with a capacity of 1.2 million metric tons of liquid steel per annum, and employs a labor force of 12,500. Expansion plans involve the erection of a new plant alongside the old factory, which will raise the company's total liquid steel output to nearly 5 million metric tons per year. Total projected cost for the Sidor expansion has been set at 15.2 billion bolivars, of which 8.4 billion bolivars have already been invested. Local economic analysts, however, expect cost overruns to vary between 10 and 30 percent.

The new Sidor plant will utilize a rect reduction system, electric smelting and continuous casting. In interview, the president of Sidor, Igmar Marshall, noted that the use of this system rather than blast furnaces with oxygen converters means that the Ciudad Guayana works will not be dependent on imported coke and can therefore be entirely self-sufficient. The plant will process iron ore brought from iron deposits into pellets, using strictly supplied by the Orinoco river and water from the Orinoco river. The Sidor executive, who has degrees in mechanical engineering from Columbia University New York and the Universidad Central de Venezuela, noted that the 10,000 million bolivars will be spent on pollution-control equipment at the new installation.

With some 13,000 construction crews currently employed on its expansion—called Plan IV—Sidor is reported to be moving

develop domestic facilities for research and technology, areas in which Venezuela is sadly deficient.

Dr. Pedro Bokaita, director of the Center for Engineering Research and Development at IVIC, complained in another newspaper article: "When the budget cuts were made, Finance Minister Luis Jose Silva Luongo told the press that Venezuela's development programs had not been affected. But if maintaining research facilities and graduate education programs like the ones we have here at IVIC aren't part of the national development scheme, then the policy behind the scheme is critically shortsighted."

"A vacuum exists here in the pol-

J.M.

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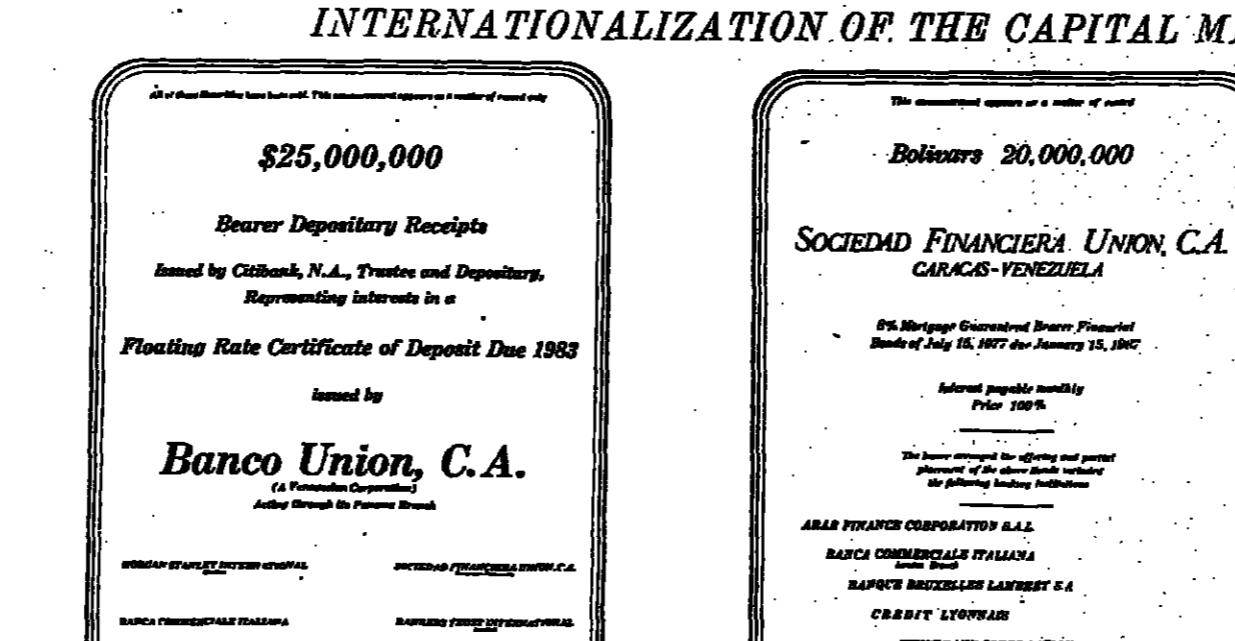


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1976: The First Private Placement in Venezuela by a Foreign Issuer

1975: The First International Offer of Bonds by a Venezuelan Company

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1973: The First International Offer of Bonds by a Venezuelan Company

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Stunted Education System Meets Obligations With Difficulty

CARACAS (IHT)—Venezuela's public education system, still in disarray despite massive infusions of government funds since 1974, is currently facing the challenge of providing the country with trained manpower.

A rapidly expanding economy and a spate of complex government programs have created tens of thousands of new jobs requiring various types of formal training. Great pressures are also being generated in primary and secondary schools by a burgeoning student population. Over the past several years Venezuela's public schools, universities and technical institutes have shown themselves incapable of meeting the new obligations of petroleum wealth. The challenges have been enormous for a developing country, and many of the slowdowns and fiascos occurring during the course of the new development plan are directly attributable to a desperate shortage of trained human resources.

While positive steps are being taken to remedy this problem, it remains painfully clear that domestic technical and professional training programs are seriously deficient. Moreover, today's children are educated in a second or third-rate system, they hardly will be prepared to play a useful role in the new Venezuela.

Official statistics, which put Venezuela's population at around 13 million, indicate that over half the country's inhabitants are under 20 years of age. In the 5-to-14-year-old group alone there are 3.38 million youngsters, or about 26 percent of all Venezuelans. Total student enrollment has jumped from 2.1 million in 1969-70 to 3.5 million for the 1976-77 school year. Of those currently enrolled, about 71 percent are in primary and preschool levels, 27 percent in secondary schools and 7 percent in universities and other institutes for advanced education.

Public education in Venezuela had been stunted for most of this century by dictators who had no interest in developing an educated and potentially disruptive student class. The school system has improved slowly under the democratic governments that have ruled since 1958, yet the nation still lacks schools and qualified teachers in spite of heavy spending aimed at overcoming deficiencies. Existing buildings are often crowded and

run-down, and teachers at lower levels are sadly underprepared. Remuneration for all public school teachers is low in comparison that for other professions requiring advanced training.

Literacy Rate

Although Venezuela's literacy rate is relatively high in comparison to many developing countries (76 percent for persons over 15 years of age and 95 percent for those in the 10-19 age-group), the dropout rate among primary school children is high. The constitution guarantees free education through the university level, but this ideal is out of reach for most of the nation's poor.

Private education, which last year accounted for 450,000 students out of the nationwide student population of 3.5 million, has not expanded to keep pace with the country's needs. Wealthy families have traditionally educated their offspring in expensive local institutions or at schools abroad, and those who can afford the cost continue to send their children to private schools here.

There are 35 universities and schools for advanced training—teachers' colleges, polytechnical institutes, and such—but only five universities are private. State universities have improved in recent years, but standards in many subjects are still far below those of industrialized countries.

At Venezuela's most important university center, the Universidad Central de Venezuela (UCV) in Caracas, facilities are taxed to the limit with over 50,000 students enrolled. The UCV is frequently crippled by strikes, riots or confrontations between students and authorities. A good many teachers work only part-time, dedicating most of their energies to better-paying jobs outside the school. Political parties use the UCV as a training ground for future politicians and actively recruit young party members from the student body. Many feel that the heavy stress on political activity at the country's largest university has seriously compromised its educational function, and the government has been unable to intervene directly in any positive way. The Perez administration has sought to correct the situation, though, by indirect attacks. It has spent heavily on strengthening

universities other than the UCV, especially in the provinces, and has sought to keep the central university's ravenous appetite for funds under control.

The Perez government's general approach towards public education and the supplying of both public and private sectors with human resources so urgently needed today has taken the shape of a four-pronged program: improving and expanding the public system at all levels; establishing a giant scholarship plan for study here and abroad; widespread technical training through specialized centers, and selective immigration—plus recruitment—aimed at procuring skilled manpower as quickly as possible.

Spending

Spending for education has absorbed an important share of the enlarged national government budget each year since 1974. Last year the sector received a record high of 7.8 billion bolivars (\$1.8 billion, or \$514 per student) as compared to 2.8 billion bolivars in 1973 (\$241 per student). The number of school buildings went from 11,900 in 1973 to 13,000 last year, while the number of teachers during the same period grew from 113,000 to 147,000.

These outlays were obviously helpful, but Venezuela still has a long way to go in placing all of the country's school-age children in adequate facilities and providing them with standard learning materials. Even more important, more and better-trained teachers are urgently needed, but the formation of a highly professional corps of educators will require years.

In order to satisfy dramatically increased demand for the college and graduate-level professional, the government set up an imaginative scholarship plan in 1974 called the Gran Mariscal de Ayacucho Program. The program seeks to give students from lower-income groups an opportunity to receive graduate or undergraduate training here or abroad.

As of last year the government had granted 15,064 Ayacucho scholarships for study in a wide range of subjects, especially the applied sciences, engineering and technical courses. The government, which says that only 13 percent of all scholarship-holders have dropped out, pays for all edu-



Central University of Venezuela. Sports facilities are in the foreground.

tional expenses plus travel costs. About 40 percent of these scholars are studying in Venezuela, while 30 percent are in the United States and 8 percent in Britain. Venezuelans attached to the program are enrolled in universities and technical schools in 31 foreign countries. Last year, 432 million bolivars were spent on the program.

It is difficult to assess the program's effectiveness up to now since relatively few students have completed undergraduate courses. Some critics say that politics is vitiating the program's effectiveness, that individuals with political connections can easily get scholarships and often use government funds to "take vacations" overseas. The government, though, states that scholarship grants are made solely on the basis of educational potential and financial need, with special attention given to applicants from rural areas. One foreign diplomat who works closely with the Ayacucho students made the following comment: "Sure there's a lot of waste involved, and people with friends in the government have little trouble finding a grant for their

children. But even if only 10 percent of students (in the program) benefit from exposure to foreign universities, the country will have come out ahead."

The two other areas of human resources receiving government attention are technical training in the skilled trades and the search for professionals and craftsmen abroad. A government body known as the Instituto Nacional de Cooperación Educativa (INCE) provides classes and on-the-job training to men and women in a range of technical skills required in agriculture, industry, construction and general commerce. In 1977 INCE, which is supported by government outlays plus obligatory payments by private business, gave courses to 448,000 persons in Venezuela and sent 5,000 army recruits to Spain for specialized training. INCE courses cover carpentry, welding, auto mechanics, plumbing, agricultural fields, metalworking, driving and repairing heavy machinery as well as a host of other skilled and semi-skilled jobs now in great demand.

Government agencies in need of particular specialists—for example civil engineers or electricians—sometimes send recruiters to Europe, the United States and other Latin American states in order to find qualified personnel as fast as possible. (In some cases, major government projects have come to a halt because 50 skilled bricklayers or a dozen plumbers could not be found in the country at the right time.)

The Perez administration is also implementing a program of selective immigration in conjunction with the Inter-governmental Committee on European Migrations. Under this plan, the government and the private sector identify critical skills of specific jobs that need to be filled, and applicants are sought abroad. Facilities for interviews, documentation, transport, reception in Venezuela, housing and placement are made available to immigrants. Last year the government's selective immigration commission approved applications for 5,853 foreigners whose skills had been needed here.

Even without formal recruiting procedures, foreigners have flocked

to Venezuela in recent years, lured by the country's political stability and boom atmosphere. Thousands of professional and skilled workers have left behind political and economic problems in countries like Chile, Argentina, and Uruguay to come to Venezuela.

The immigration trends here since the early 1970s have created a number of problems, however. Local labor unions and professional societies often resent the inflow of qualified persons from other countries since the latter will generally work for less than their Venezuelan counterparts and sometimes are not integrated into existing labor and professional groups.

The government, asked by some sectors to ease immigration laws and visa requirements as a general solution to manpower shortages, does not want to see the country flooded with even more citizens from neighboring Colombia. About one million Colombians already live here illegally, eagerly taking jobs that pay many times what they could earn at home. In addition, some government officials are fearful that exiled leftists from countries like Argentina and Chile could cause political problems here if permitted to enter in sufficient numbers.

Besides, even though partially and wholly assimilated Italians, Portuguese, Spaniards, and Colombians make up an important part of the nation's human resource bank, they are often disliked by the Venezuelans with whom they compete on the national job market.

Much like the United States during the periods of heavy immigration in the early part of this century, Venezuela is experiencing the pains of accepting and assimilating large numbers of foreigners. Perhaps the problem is made even more difficult here since many Venezuelans view foreigners—whether temporary consultants or workers seeking permanent citizenship—as outsiders who are trying to take advantage of the country's wealth.

At the same time the arrival of qualified people from other countries poses a threat to a nation suffering from feelings of inferiority stemming from its own deficiencies in education and human resources.

Health and social welfare have also received heavy government attention since 1974, with emphasis laid on disease control, elimination of malnutrition among pregnant women, nursing mothers and

newborn children, medical care for the disenfranchised in slums and rural areas, and extension of health and pension benefits under the IVSS, the Venezuelan Social Security Institute.

Programs to bring free milk and high-protein foods to pregnant women and neonates, and to vaccinate children and adults against a variety of diseases have achieved very good results. The infant mortality rate, which stood at 53 for every 1,000 births in 1973, fell to 42.8 per 1,000 last year, a reduction of more than 19 percent. (The country's overall mortality rate dropped from 6.3 percent in 1973 to 6 percent last year, and the average Venezuelan's life expectancy went from 64.7 years to 66.4 years in the same time.)

Venezuela's social security system, which offers both free health care and old-age and disability pensions to subscribers, now has 3.6 million beneficiaries, up significantly from 2.6 million four years ago. The Perez administration straightened out much of the confusion reigning in the IVSS pension system, and extended benefits to the aged even if they were not formerly listed on social security rolls.

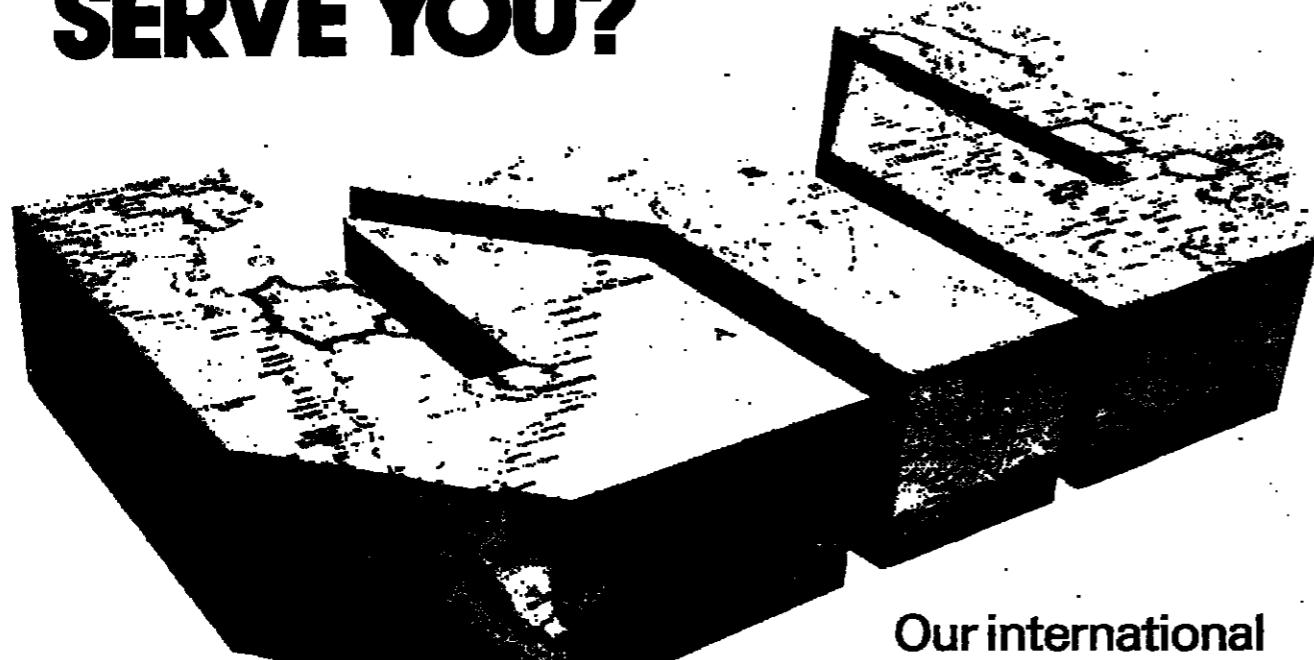
Improvements have undoubtedly been made in the country's health and social welfare system since 1974, but tremendous deficiencies remain. Rural areas are often without doctors and clinics. Municipal hospitals in the large cities offer free service, but are terribly overcrowded and are short of professional help, basic equipment and medications. Social Security pays small cash benefits, and few Venezuelans can live exclusively on old-age or disability checks.

Public health and welfare remain painfully inadequate in Venezuela. Private medical care generally offers the best service available, but costs are as great or greater than in the United States. Only families with middle and upper-middle level incomes can afford treatment in private clinics.

Besides continuing to pump large sums of money into public health, the government has taken some other steps. It has set price controls on most drugs and medicines, attempted to regulate prices for services at private clinics and obliged newly graduated physicians to spend time working in depressed rural areas.

J.M.

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مكتباً من الأفضل

For Shantytown Residents, Petroleum Boom Never Arrived

CARACAS (IHT)—For the people living in a shantytown called Caballo del Mocho, Venezuela's petroleum boom has never arrived.

Caballo Del Mocho, which translates into "the Cripple's Horse," is a poverty pocket located on the outskirts of this wealthy, ostentatious capital. Like scores of other slum neighborhoods that house a large share of Caracas' three million inhabitants, this section of the

city bears a picturesque name. Little else in Caballo del Mocho is picturesque.

Families here live in a collection of ramshackle, unpainted houses of wood and tin built over dirt floors. Many of the homes were erected by the families living in them—campesinos who fled rural Venezuelan poverty for the promise of steady work in the capital. Often one sees a small vegetable patch alongside a shack and chickens scratching in the littered yards.

The shanties are spread over several steep hills and are frequently damaged or destroyed by mudslides during the rainy season. During a recent downpour, the tiny dirt road passing through the sector was converted into a river of reddish-brown mud, garbage and human waste.

The barrio—or neighborhood—no sewer system, no telephones,

no mail service, no schools or health centers. Water arrives irregularly, sometimes by tank truck, sometimes through tiny pipes installed by the residents themselves. Electricity reaches several homes through pirate wires hooked up to a main power line that passes nearby.

Garbage is thrown into ravines, where it sometimes accumulates for months, putrefying under the tropical sun.

The sick must travel miles to a

public hospital that is chronically short of beds and professional help, medication, cotton and alcohol. They may stand in line all day waiting to be attended by the overworked staff.

Indigence is not new to Venezuela. But its widespread persistence in this country—often called the Saudi Arabia of Latin America—is all the more striking when one is exposed to the lavish life-styles common to Venezuela's upper income groups.

Not far from the "marginal areas" of Caracas—as the government here calls slums—are giant shopping centers offering a large variety of imported luxury goods. Well-heeled Venezuelans think little of purchasing homes or apartments costing upwards of \$250,000, or imported Mercedes-Benz's priced at around \$40,000, or second apartments in Florida or New York City.

But the impression of affluence is misleading, for perhaps half the residents of Caracas live in squashed ranchos (slum homes) or other sub-standard housing. The red brick slums that surround the modern city are a constant, painful reminder of Venezuela's unconquered misery.

The problem has been the focus of many government programs, but its sheer magnitude—complicated by continued flight of people from rural to urban communities—dwarfs official efforts. As proprietor of Latin America's largest and most efficient oil industry, the Venezuelan government has earned over \$40 billion between 1974 and the end of 1977, mostly from petroleum exports.

Since taking power in 1974, the administration of President Carlos Andres Perez has spent billions of petrodollars on programs for health, education, slum improvement, low-income housing and social services, a sum unmatched in Venezuela's history.

The Perez government has given high priority to services for the poor and has improved many slum areas by installing water lines, sewers and electric power lines, erecting schools and housing developments and assigning police and sanitation teams.

In spite of these huge spending programs, though, life has changed only marginally for most of the country's poor. For over three years, Evaristo Vasquez has been living in a complex of government-built plasterboard barracks at La Vega, on the edge of Caracas. He and his family of eight were relocated to this "temporary" housing after the rains washed out their ranchito. The Vasquez family has been waiting for a place in a nearby government building, but no one knows when construction will be completed.

"If we're lucky, we'll get a place in the new building," he said. "All of us are waiting here." In Mr. Vasquez's neighborhood, conditions are better than in Caballo del Mocho. The government housing units are drafty, plasterboard affairs built in rows, but they have cement instead of dirt floors and are plugged into a regular power line. Water trucks and garbage details pass with some regularity and the state runs a small health clinic and school nearby. In addition, the sector is much closer to the center of Caracas, to large food stores, shops

and jobs, and residents therefore are less dependent on the vagaries of public transport.

Mr. Vasquez is in his thirties, earns 33 bolivars a day (\$7.73) at a milk bottling plant and has been able to buy a television, refrigerator, electric fan and other small appliances.

He noted, however, that the one-story complex where he lives has no telephone, no recreation areas for children and only oneouthouse for every 10 families.

Although the government says that dislocated families may receive low-cost apartments on the basis of need and waiting time, opponents of the Perez administration assert that housing assignments are often made through party connections.

Eiba Rincon, a young worker with the Movement Towards Socialism party (MAS) who spends much of his time in the city's slums, said that members of the government party, Democratic Action, almost always receive places at new government housing is completed. People with other party affiliations, she said, have a much harder time in finding new homes.

On the other side of Caracas, in a hilly sector of the city called La Vega, the government has made an effort to remodel a slum area instead of bulldozing entire neighborhoods and erecting high-rise apartment houses.

Martin Bilbao, an energetic, 29-year-old architect working on the La Vega project, explained that the government had already remodeled over 600 ranchos out of the approximately 20,000 in the area. The objective was that the community's social fabric would be preserved and improved if families living in the area were offered a refurbished

home in their own, integrated neighborhood setting.

"We go to a ranchito and ask the people how many persons are living there, what things do they need in their home," he said. The government agency carrying out the work, in this case the Centro Simon Bolivar, then finds the family temporary lodging, does the necessary work, and returns the home to the family. Each remodeling job costs between \$3,000 and \$17,000, and residents receive the service free of charge.

Approaching La Vega today, a visitor sees row upon row of gaily-painted homes with Mediterranean-style facades. The one- and two-story units are covered with attractive stone walls. "Each family is treated as an individual problem, an individual case," Mr. Bilbao said. Besides refurbishing the outside of each home, the government also installs plumbing, lays water and sewer lines, supplies electricity and builds schools, recreation centers and community shopping areas.

Impetus for La Vega's transformation, which was begun by presidential candidate Diego Arias while he was governor of the federal district four years ago, is now waning. The project has drawn fire from politicians within the Perez government for being too flashy and costly. Most Venezuelan leaders prefer the traditional approach of building high-rise units that can accommodate more families.

Although the La Vega plan received considerable attention here at its outset, it is clear it will probably never obtain sufficient funding to make a real dent in the 19,000 slums yet to be remodeled.

J.M.

U.S. Life-Style Invades Native Culture



A folk dancer wearing the mask of a devil.

is a gray-fru. Other examples abound.

Being importers at heart, Venezuelans have not neglected to bring in quantities of consumer items, habits and phrases from countries such as France, Italy and England. But the United States remains the undisputed champion of cultural domination.

In some ways, Venezuela's social structure was far more vulnerable to cultural invasion from the north than other Latin countries. Venezuelans lacked the indelible stamp left behind by advanced cultures like the Inca, the Maya and the Aztec in other parts of Latin America. (In spite of its proximity to the United States and a regular inflow of U.S. tourists, Mexicans by all appearances manage to retain a clearer sense of national identity. Perhaps this is due to their Aztec heritage, a stronger sense of nationalism or simply to abundant tourism posters touting mariachis, ancient churches and tortilla vendors.)

Venezuelans do indeed have their own discrete Latin culture, although first-time visitors would be hard put to identify this. Like all other Spanish-speaking nations, this country possesses its own particular set of words, accents and expressions. Venezuela has produced some excellent novelists, artists, poets. In the last century the country's *Liberator*, Simon Bolívar, not only led Venezuela's revolution against the Spanish Crown, but also carried his spirit and fighting men to several neighboring countries.

The music, dances, foods and customs of Venezuela share elements with other Latin states, but are clearly their own.

In the Venezuelan countryside, one can still see part of a simple, agricultural society relatively untouched by immigration and the invasion of U.S. life-styles. Campesinos, or peasants, wearing khaki workclothes, sandals and battered straw hats lead burros alongside superhighways cutting through the sheltering savanna or the precipitous slopes of the Andes. Their lives generally revolve around an open shack near a small vegetable patch, some scrawny livestock and other enterprises.

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كذا من الأفضل



Nationalization of Oil Sector Has Been a Resounding Success

(Continued from Page 1)

Petroleo) and the local Mobil subsidiary.

Local subsidiaries of companies that were taken over in 1976, like Exxon, Royal Dutch Shell, Mobil, Gulf, Arco and several others, received aggregate compensation from the government of President Carlos Andres Perez that totaled 4.34 billion bolivars. Part of this was paid in cash and the remainder in government bonds maturing between 1977 and 1981, with an annual interest rate of 6 percent. Compensation was based on the net book value of the assets of each foreign company, as computed by the government. This figure did not take into account replacement costs, which are estimated to be

four to five times more than the net book value figure.

In contrast to disastrous state takeovers of foreign holdings in other parts of Latin America, Venezuela's nationalization of what was probably the largest single block of foreign capital in the region has been a resounding success. The industry—with more than 21,000 wells (around 12,000 of which are active producers), a dozen refineries, 25,223 employees and annual sales of around \$9 billion—is one of the most complicated in the world.

It has been managed entirely by Venezuelan technocrats since 1976 and has remained free of the political interference that has weakened or destroyed the effectiveness of other Venezuelan state enterprises.

Despite grumbling from some foreign executives, it is quite clear that the international oil companies earned a healthy return on their investments in Venezuela over the years. In fact, nationalization did not mean estrangement between the government and most foreign oil companies.

Venezuelan oil executives, who have managed the giant industry with few hitches, were not new to the job. Most of the industry's top personnel had worked for many years with foreign oil companies and had held responsible posts prior to nationalization. Others joined Petroleos de Venezuela and its affiliates after gaining considerable experience in the private sector both here and abroad.

Although the foreign companies ousted in 1976 objected to some of the nationalization terms, they generally realized that the actual takeover was the logical culmination of a process begun in the 1940s, which gave the state increasing control over the affairs of the industry here.

And despite grumbling from some foreign executives, it is quite clear that the international oil companies earned a healthy return on their investments in Venezuela over the years. In fact, nationalization did not mean estrangement between the government and most foreign oil companies. (Some problems did occur. Occidental Petroleum, for example, has never been

compensated for the 1976 takeover, due to a government investigation into bribes allegedly made by the firm to obtain contracts in Venezuela. Other companies, especially the smaller ones, feel that recent government discounts from their remaining compensation bonds were unfair.)

Exxon and Shell continue to do a thriving business with the nationalized industry under contract. Although sustained dealings with the multinational oil companies have been criticized sharply by parties in opposition to the Perez administration, the country's leaders feel that the nationalized industry cannot operate efficiently without access to the technological expertise and marketing outlets of the major oil companies.

In the area of marketing, Petroleos de Venezuela sells about one-quarter of its exports through its affiliates' own marketing departments. However, the bulk of exports is handled by Exxon and Shell, which buy Venezuelan crude and refined products and charge a fee for marketing the oil overseas.

In addition, any sticky technical problems that arise—for example, a major breakdown in a refinery—can be resolved by consulting with the research departments of oil companies, which maintain technical assistance agreements with the government.

Petroleos de Venezuela also pays foreign firms for technical assistance in developing new projects in a variety of areas. The government has set up its own petroleum research department—the Instituto Tecnologico Venezolano del Petroleo—but understands that it will be years before the institute will be able to substitute for the advanced technology supplied by the major oil companies.

Serious Challenges

Despite the nationalized oil industry's good performance, the Venezuelan government must con-

front a number of serious challenges in the years to come. The most important of these are:

- The need to find substantial new crude oil deposits and find ways of economically using vast reserves of nonconventional petroleum in the Orinoco Heavy Oil Belt.

- Maintaining a satisfactory cash flow to Petroleos de Venezuela so that costly new investments in exploration, production, refining, research and human resources can be made. Without these, the Venezuelan oil industry will become obsolete within two decades.

- Overcoming losses in local marketing. Under the Perez administration's current anti-inflation policy, gasoline for autos is sold at subsidized prices, about 15 cents per gallon for regular and double that for high octane. As a result, gasoline sales on the domestic market present consistent losses. At the same time, cheap gasoline encourages an unhealthy and unrealistic growth in highway transport.

- Insuring that the nationalized oil industry stays free of political interference. While this has been true to a high degree, no one can say what will happen when future governments find that they need more money and are tempted to tap the lucrative petroleum sector.

According to government statistics, Venezuela's conventional crude oil reserves were 17.9 billion barrels at the end of last year, slightly less than 20 years of available production at current rates. Most of these crude oils consist of heavy-type crudes. While this is fine for producing fuel oil and other residual products, the country needs to boost its reserves of lighter crudes in order to refine greater quantities of gasoline and other light products, which bring better prices.

Investments Needed

In a recent speech, the director of finance of Petroleos de Venezuela, Edgar Leal, said that the national petroleum industry would require investment of about \$20 billion over the next 10 to 12 years in order to guarantee its continued efficiency and profitability. (Production costs rise as a country's oil deposits become depleted. That is, it is cheaper and easier to pump oil from new deposits that fresh fields that have been producing oil for 20 or 30 years.) He said that about \$3

billion would be needed for exploration, \$12 billion for production, \$3 billion for refining and other activities, and \$2 billion would probably be used for maintenance, research and other expenses. He asserted that the state oil monopoly expected to secure most of these funds through its own ability to generate earnings. Observers here, however, believe that the company will eventually need to seek capital in the form of foreign credits.

Petroleos de Venezuela is already moving ahead with a major drive to find new oil deposits both on land and offshore. Later this year the company will begin offshore exploration in three areas. Budgets for exploration have been on the rise in recent years. While the firm spent a total of 900 million bolivars for exploratory activities between 1976-78, outlays in exploration this year will reach all-time high of 1 billion bolivars.

In refining, Petroleos is preparing expenditures of around 5 billion bolivars in order to alter refining patterns at its principal units so that more heavy-weight crudes can be processed.

In addition to these projects, the industry is working on the gradual development of a huge reserve of high-viscosity crude oil lying to the north of the Orinoco River. This deposit, known as the Orinoco Heavy Oil Belt, contains reserves estimated at a minimum of 700 billion barrels.

Although the belt represents one of the largest hydrocarbon deposits on earth, it is not currently able to yield large quantities of commercially useful oil. The oil found there generally resembles thick, black molasses and contains considerable amounts of sulfur and metallic elements.

Some work has been done by the Venezuelan and foreign oil companies in solving production and refining problems associated with the special types of oil found in the Orinoco Belt. But the government has been reluctant to invest heavily in the area, maintaining that international oil prices must reach higher levels before Orinoco crude will become profitable.

There is no doubt, however, that once technological difficulties are overcome, the Orinoco reserves will be a long-term source of revenue for Venezuela and will guarantee that the country remains an important oil producer for many years to come.

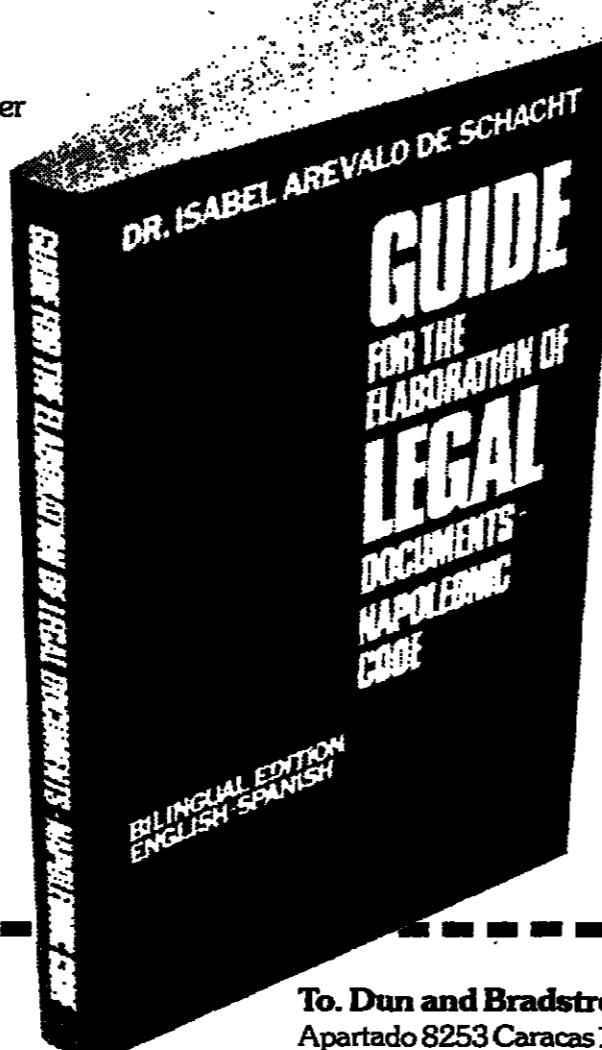
—J.M.

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CARACAS (IHT)—Venezuela's

petrochemicals. Although its basic production units have been completed for some time, these government-owned plants are either operating marginally, or are shut down for repairs. The central unit at El Tablazo is a complicated structure called an olefin plant, designed to convert natural gas into ethylene (150,000 metric tons a year) and propylene (95,000 metric tons a year).

Several Facilities

El Tablazo also houses a huge urea plant (90 percent of which is owned by the state), a government factory for chlorine and caustic soda, and other state-owned facilities. A natural gas plant designed to supply the olefin converter is there, along with water and electric generating facilities, a port, and other units for product distribution, storage and waste treatment.

In addition, a number of smaller, mixed-capital companies have plants at the El Tablazo complex that were built to use output from the olefin facility for manufacturing a variety of more complicated petrochemical products. (Despite the near paralysis of the government units, many of the mixed-capital companies have turned a profit by importing the basic materials they require and producing chemicals and other products, thus bypassing the state-owned installations.)

The Target

The target of Mr. Urdaneta's reforms is the industrial complex made up of government-owned concerns and mixed-capital enterprises, which have cost a minimum of 2 billion bolivars (\$466 million). Venezuela's two principal petrochemical complexes are located at Moron, near the Caribbean in central Venezuela, and El Tablazo, on Lake Maracaibo in the west. The sites include major facilities which are wholly-owned by the Venezuelan government, and a state of smaller companies jointly owned by private investors and the state. This complex was built to provide Venezuelan industry and agriculture with a broad range of products while at the same time creating jobs, using readily available raw materials and saving on items that would otherwise be imported. Some of the installations were designed to provide exports once domestic demand for their products was satisfied.

The El Tablazo complex in Zulia state, an impressive collection of towers, pipes, chimneys and plants, has cost the Venezuelan Treasury more than one billion bolivars. It is a prime example of Venezuela's

Petrochemicals

Reforming a White Elephant

complicated by parties in opposition to the government of President Carlos Andres Perez, who would turn the petrochemical plant's problems into a political issue.

"A petrochemical plant like El Tablazo is an extremely complicated enterprise," a Venezuelan petroleum expert said. "In order for it to operate efficiently, a great many systems must be functioning smoothly at the same time. And if something goes awry, you must have someone on the spot who can sort things out. The sad thing is that we not only ran into endless technical problems, but we didn't have the experienced petrochemical engineers available working for the government. On top of this, the complex was converted into a political football."

Who is to blame for the country's petrochemical problems? The billion-bolivar fiasco at El Tablazo is a good example of what has happened in the rest of the government-run industry. In the past, when a major failure occurred, opposition parties threw the blame on the government for incompetence. A government spokesman, in turn, would say that planning by the previous administration (headed by a different political party) was responsible. Representatives of the previous Social Christian party naturally defended their work and accused the present leaders of sabotaging their petrochemical plan out of political spite. And so the argument continues.

The Blame

The responsibility for allowing Venezuela to endanger hundreds of millions of bolivars in investment and to lose tens of millions more each year through production shortages is hard to assign. Certainly the blame must be shared in varying proportions by official incompetence, the present administration, allowing problems to reach critical levels before taking action, shortages of skilled personnel, carelessness on the part of some foreign suppliers—and bad luck, with latter playing a small but recurring role.

The government's latest effort to reform the sector by placing it under the control of Petroleos de Venezuela is a prudent move, one that came far too late. The industry will require considerable new infusions of capital in order to make it work and bring it up to date. In the meantime, Venezuela will pay the bill for correcting costly errors and must continue to spend even more to import petrochemical products that its own industry cannot yet manufacture.

Political Issue

Every time a major breakdown occurs, the situation would be

Small, Influential Country Broadens Foreign Policy Horizons

CARACAS (IHT)—During the past two decades, the salient items of Venezuela's foreign policy have been the good, sturdy stuff of national interest.

Democratically elected governments here, for example, experienced bitter confrontations with the former dictator of the Dominican Republic, Rafael Leonidas Trujillo, and with Cuban President Fidel Castro. Each man had supported efforts aimed at overthrowing Venezuelan governments. Both initiatives were repulsed. For a number of years Venezuelan leaders also expressed their dissatisfaction with U.S. import limitations affecting this country's economic lifeblood—petroleum. The results were not always gratifying.

More recently, foreign policy questions have turned prosaic. Local newspapers avidly follow the progress of the Foreign Ministry in defining borders with Brazil and Colombia (some politicians wonder if Brazilian hegemony is edging northward), mediating fishing disputes with Trinidad, counting Colombians living illegally in Venezuela (best estimates say over one million) and deciding who owns a big chunk of jungle claimed by both Venezuela and Guyana.

Since President Carlos Andres Perez took office four years ago, however, the country's foreign policy horizons have broadened considerably.

Mr. Perez and his foreign policy spokesmen have appealed for a new world economic order at various international forums, and they have worked doggedly to promote economic cooperation in Latin America and the Caribbean.

Mr. Perez took the Ford administration to task after it declared a verbal war on the Organization of Petroleum Exporting Countries (OPEC), but he was the only influential leader in Latin America to back President Jimmy Carter's initiatives on human rights and control of nuclear armaments.

The Venezuelan leader, one of a handful of popularly elected governors in the region, ranked more than one local dictator when he

openly lamented the proliferation of military regimes and called for international inspection to guarantee human rights. The military governments of Argentina, Brazil, Chile and Uruguay, criticized repeatedly for the torture or murder of political foes, were particularly piqued by the Venezuelan's comments. And Brazil, which considers itself many notches above its Spanish-speaking neighbors, was loath to accept lectures from President Perez on nuclear control after feeling considerable heat from Washington on its reactor deal with West Germany.

In addition, the Perez administration has committed \$3.6 billion for bilateral and multilateral for-

ign aid to Latin American and Caribbean neighbors, a figure equal to more than 10 percent of the country's gross domestic product.

A founding member of OPEC, Venezuela has played of late a much more significant role in the oil producers' group. In 1977, President Perez helped resolve differences over oil prices between the hawks and doves who caused a serious split in the group.

Venezuela has been prominent in stating its views at the United Nations, the North-South Conference in Paris and the Organization of American States (OAS). The nation has supplied substantial financial and moral support to the World Bank, the International

Monetary Fund (IMF) and the Andean Common Market as well as to the Latin American Economic System (SELA), a group founded to promote regional and economic integration in Latin America and the Caribbean.

Perhaps more important, though,

have been the Venezuelan leader's timing and style. As the head of a developing, oil-producing country that is a member of OPEC, Mr. Perez could speak with authority about Third World problems and has chosen to avoid the inflammatory language so often used in these discussions. His popularity in Washington has been aided by his status as a freely elected leader in a friendly country and by his candid support for principles such as human rights and nuclear controls.

Popularity Abroad

The president's popularity and influence abroad has been helped by the fact that his country has a lot of money to spend. Foreign leaders have been eager to promote

goodwill between their own salesmen and the Venezuelans, and neighboring countries have wanted Venezuelan backing for their own projects.

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Venezuela's generosity in foreign aid and the president's opinions on international affairs have not won him universal acclaim, however.

Early in the Perez administration, Trinidad accused Venezuela of attempting to foment "economic imperialism" in the Caribbean. And only recently, Nicaragua's President Anastasio Somoza accused the Perez government of interfering in Nicaragua's internal affairs because of Venezuela's repeated calls for OAS inspection of human rights conditions there.

At home, opposition parties have criticized Mr. Perez for giving away too much money only to borrow abroad to pay for the government's own programs; they also feel that the president should concentrate more on domestic problems rather than foreign.

During a recent speech in the Venezuelan Congress, Deputy Ramon Escobar Salom, formerly foreign minister under President Perez, presented what many found to be a thoughtful evaluation of the administration's initiatives. While noting that the Perez government had succeeded in developing "an independent foreign policy for Venezuela," Mr. Escobar went on to criticize the scope of this new policy and the deficiencies in the Ministry of Foreign Affairs itself:

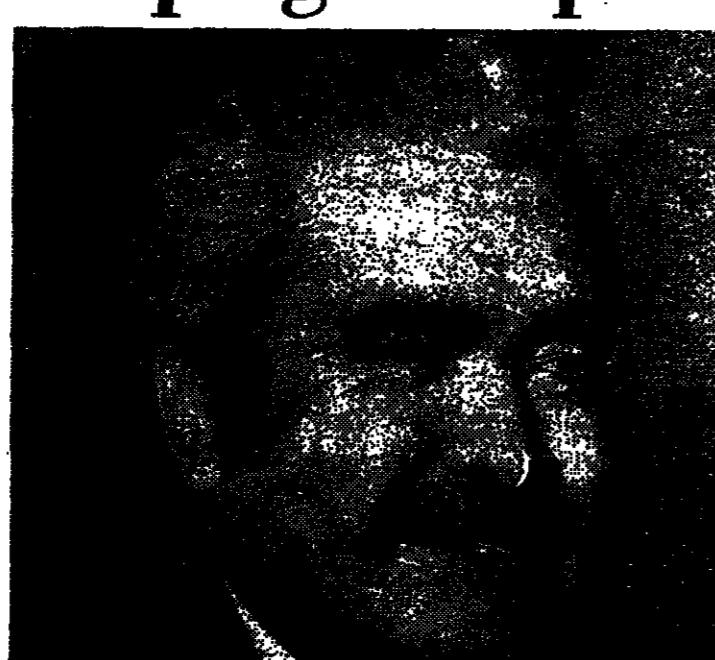
"In the coming years, Venezuela must regain its proportions. What does this mean? During these years we've flown at 900 kilometers per hour in a DC-3. Venezuela has achieved a very important participation in world affairs, but we weren't prepared, we didn't have a structure," he told the Lower House of Congress.

"When I speak of proportions, I mean that Venezuela must act not like a world power—because it is not and never will be—but like a small influential country... This is what I call an international policy in keeping with (our) proportions. We cannot play at being a great power because this would be, among other things, an illusion and an irresponsible act."

—J.M.

Noisy Campaign Prepares Sixth Free Presidential Elections

(Continued from Page 1)



Copei party candidate Luis Herrera Campins.



Democratic Action candidate Luis Pinerua Ordas.

and the urban poor. The two candidates, like the Social Christian representative, have been able to attack the Perez administration—and by implication the reputation of Democratic Action—for its failures over the last four years. Both are appealing speakers who have good chances to draw votes to the far

left. In its first presidential campaign in 1973, MAS won 4.2 percent of the total vote for president and drew the third largest block of representatives in Congress. (The 5.3 percent MAS garnered in Congressional votes, though, was still far behind the two principal parties.) In the same year, MIR

had to face challenges from other groups as to their right to pre-eminence in Venezuelan politics. Although both major parties espouse left-of-center, reformist philosophies, and between them have run the country for the last two decades, Venezuelan deficiencies are still painfully obvious. Both Mr.

Arria and the smaller, established opposition groups will be hammering on the nation that the two traditional parties are, in essence, the Tweedleum and Tweedledum of Venezuelan politics, and that they are more interested in promoting their own parties than in seriously

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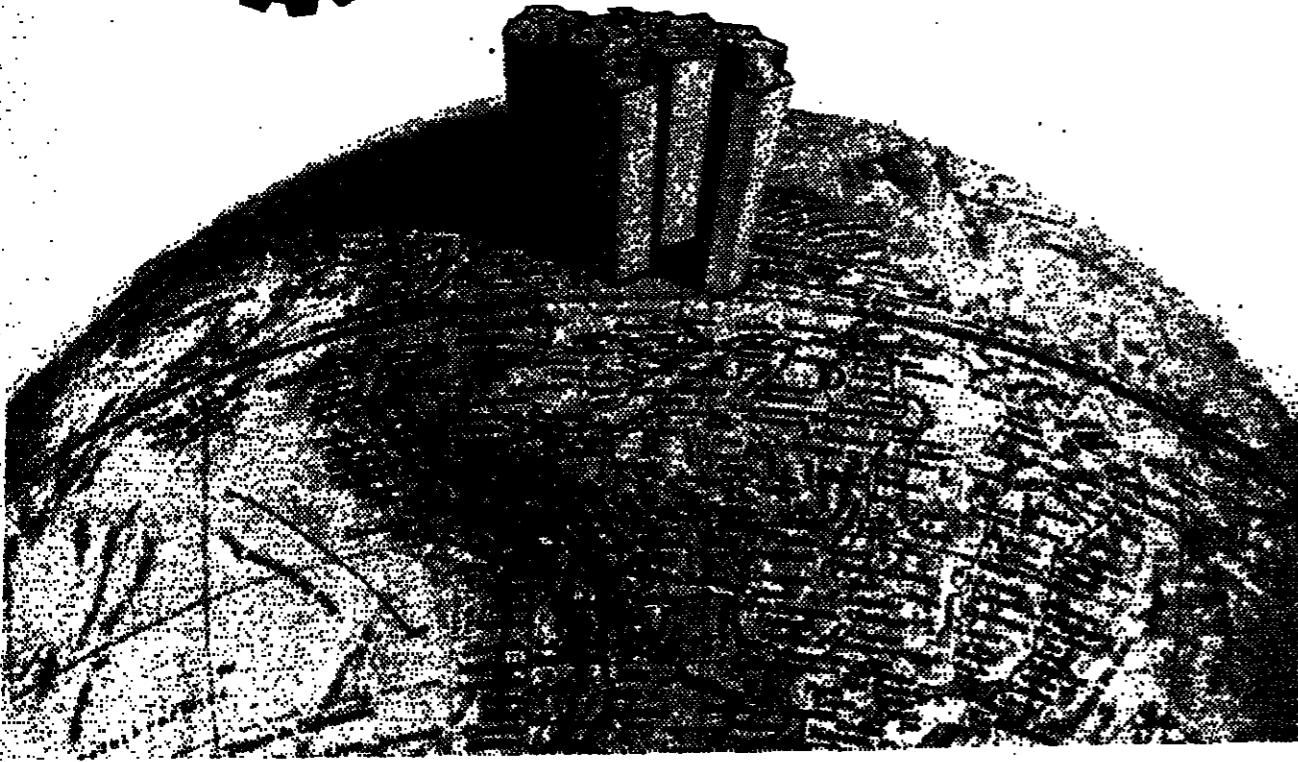
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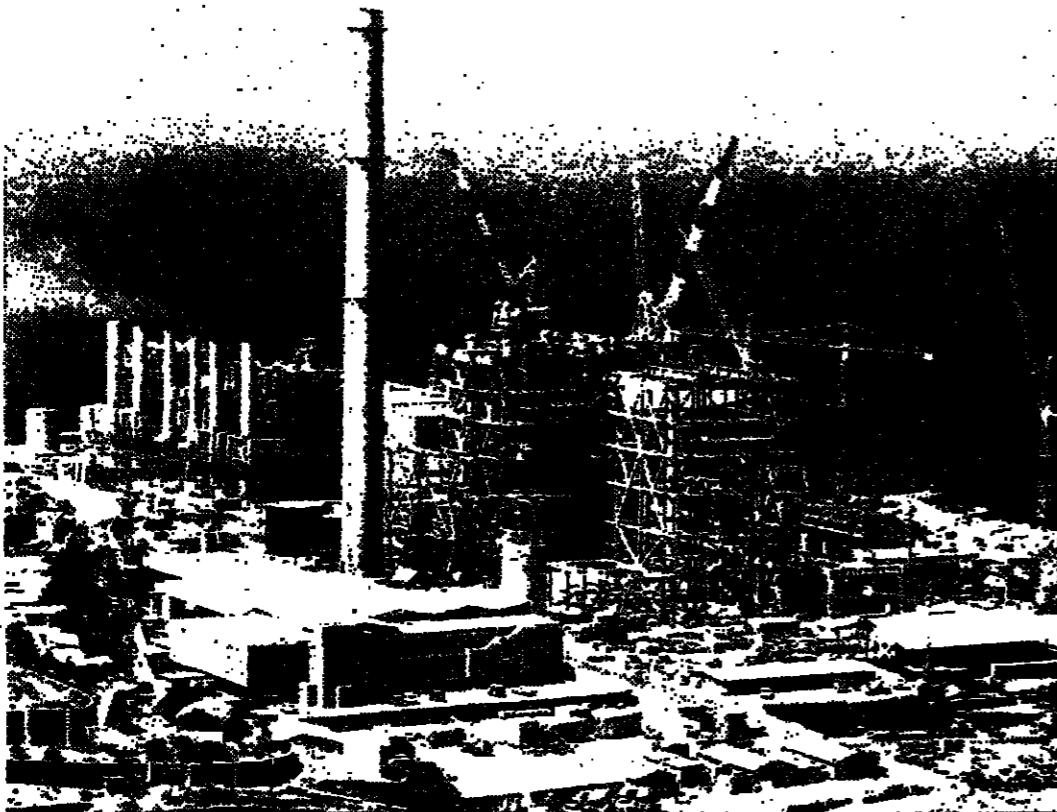
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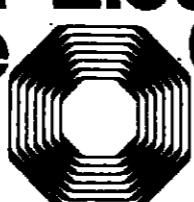
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IN VENEZUELA YOU KNOW WHERE YOU STAND

Press Is Free—But Not on All Subjects

By Monte K. Hayes

CARACAS (IHT)—One night not long ago in a movie theater, a government-prepared commercial flashed onto the screen minutes before the feature film was scheduled to start.

The commercial reminded the audience that with the birth of Venezuelan democracy 20 years ago political exiles had become a thing of the past. The rest of the message was drowned out by hoots of laughter from the viewers.

"What about Olavarria?" shouted various members of the audience.

Only days earlier, Jorge Olavarria, editor of the news magazine Resumen, had requested and been granted political asylum by Nicaragua. Mr. Olavarria, a former ambassador to Britain, charged that the government of President Carlos Andres Perez had taken advantage of a private suit against him by his former wife to harass him illegally. He claimed that the government's intention was to force the closure of his magazine because of its severe criticism of the president and his top advisers.

The government denies the accusation, responding that the legal action against the editor is a private matter between him and his ex-wife and that he is free to return to Venezuela whenever he wants. But many Venezuelans are skeptical of the government's explanation.

The Olavarria affair is the latest in a series of incidents over the last few years in which the freedom of the press has allegedly been violated.

Nevertheless, the Inter American Press Association (IAPA) recently described Venezuela as one of only six nations in the Western Hemisphere that enjoy freedom of the press. The others are the United States, Canada, Costa Rica, the Dutch Antilles and the Dominican Republic.

Press Freedom

Venezuela's inclusion in this elite group, however, may be in jeopardy. The IAPA is currently studying the Olavarria affair to determine if there has been a violation of press freedoms.

President candidate Luis Herrera Campins of the major opposition party, Copel (Social Christian party), believes that the Olavarria

case "began as the result of a difficult personal situation that had little to do with press freedom, but that the government later made use of the situation to silence one of its opponents."

Press freedom exists as long as certain subjects are not touched," observed Jose Vicente Rangel, presidential candidate of the Movement Towards Socialism (MAS) and winner of the National Journalism Award for his political columns.

The fact is, though, that by Third World standards Venezuelan newspapers and broadcasting media have a great deal of liberty to present news and express opinions. Evidence of this can be seen by the sharp criticism of the government expressed in print and on the air as a result of Mr. Olavarria's difficulties.

Watergate'

In a few other Latin American countries could a political columnist write, as did Alfredo Tarre Murzi, that the Olavarria affair was a "Watergate in reverse," in which the individual who denounced the violation of laws was threatened with prison, rather than the lawbreakers.

The IAPA affirmed that there is unconditional freedom of press in Venezuela. That is not true," asserted Mr. Tarre Murzi. Venezuela's most widely read political commentator.

After listing examples of government action against other newsmen as well as other publications, he continued: "The case of Jorge Olavarria has been in recent months the most relevant example of abuse of an editor of an opposition magazine."

The journalist, who writes under the pseudonym of Sanjin, accused the government of taking advantage of a civil suit against the editor to pressure the courts on two occasions into violating due process of law and issuing orders for the arrest of Mr. Olavarria.

The editor spent 48 days in jail as a result of the first arrest order. It was after the second arrest order was issued that he decided to flee the country.

Sanjin also accused the government of pressuring advertisers into abandoning Resumen. Whatever the reason, government advertising, which provides a large chunk of revenue for most Venezuelan

At the last minute President Perez restricted his suit to Dr. Bosch. The message, however, came across strong and clear to Venezuelan newspapers.

In a recent interview, Diego Arrius, who served as information minister until he resigned to run for president as an independent, dismissed charges that the government had harassed Mr. Olavarria

through court actions and the use of government-owned television and radio stations. He argued that the editor's legal problems stemmed from a conflict with his ex-wife and were not even remotely connected with the government.

Mr. Arrius also maintained that in the other cases cited, the government "has in every instance adhered to the strict letter of the law and has always released the corresponding explanations of its acts."

Frequently when press freedom has been violated, the government has defended its actions by arguing that they were necessary to protect this country's "fragile" democratic institutions. The argument is that these institutions are still not strong enough to endure severe criticism. In addition to the presidency, another institution specifically protected by law from public criticism is the armed forces.

Despite these limitations, the Venezuelan press does have a great deal of freedom to print news embarrassing to the government. Newspapers and broadcasting media, for instance, are currently reporting in great detail on several cases of corruption allegedly involving high government officials.

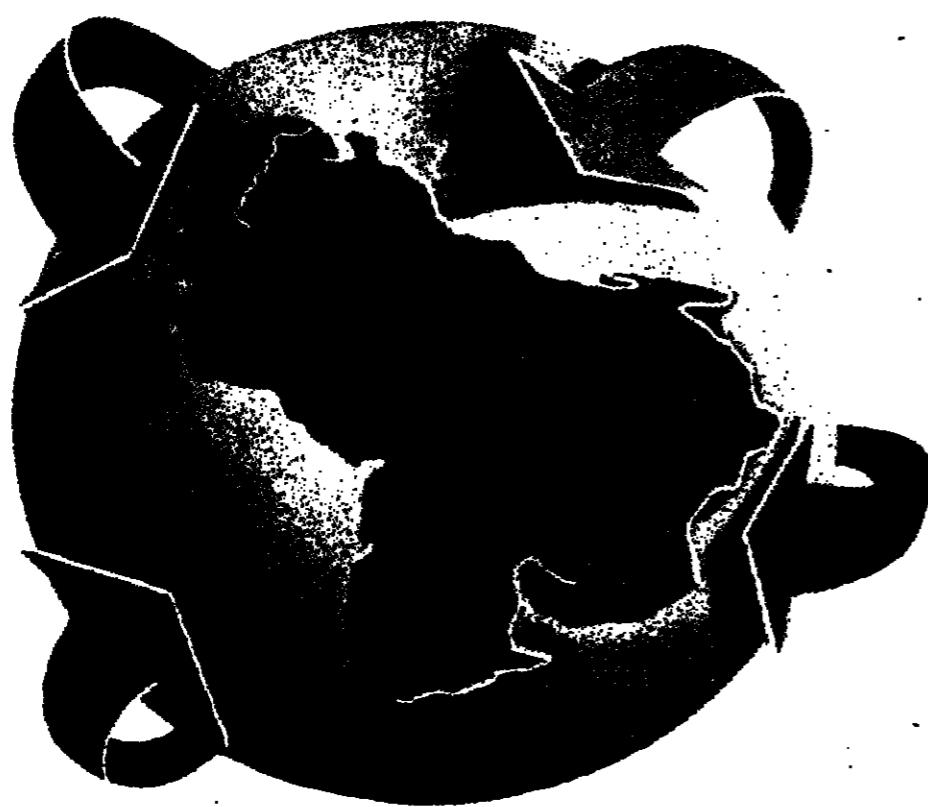
The Perez administration has also come under fire from the IAPA for its enthusiastic support of the creation of a Latin American-owned-and-operated news agency to offset what Mr. Perez and his top adviser see as the overly negative image of the region presented by the international wire services in the United States and Europe.

On more than one occasion Mr. Perez has voiced support for controls on the flow of information from one country to another to insure that it is "truthful." In this position he approximates the views of many other Third World nations unhappy with the coverage given by the foreign news agencies.

Venezuela is a nation still molding its economic and political framework. That situation offers hope for the future, but it also carries with it risks, as Copel's Mr. Herrera warned not long ago.

"In a government like ours," he said, "which has nationalized oil and iron and is growing stronger every day, the temptation always exists to abuse its powers."

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